

23. RESERVES
The Group

	Share premium account HK\$'000	Capital reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Reserve funds* HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 1999	1,004,011	(174,031)	1,196	297	6,852	2,124	483,373	1,323,822
Goodwill arising on acquisition of additional interest in a subsidiary	-	(42,547)	-	-	-	-	-	(42,547)
Goodwill arising on additional consideration paid for acquisition of an associate in the prior year	-	(3,704)	-	-	-	-	-	(3,704)
Transfer	-	-	-	-	4,780	-	(4,780)	-
Profit for the year	-	-	-	-	-	-	87,130	87,130
Dividends (note 10)	-	-	-	-	-	-	(46,226)	(46,226)
At 31 December 1999 and beginning of year	1,004,011	(220,282)	1,196	297	11,632	2,124	519,497	1,318,475
Release upon partial disposal of other investments (see note 15(b))	-	(6,433)	(974)	(242)	-	(2)	-	(7,651)
Transfer	-	-	-	-	4,470	-	(4,470)	-
Profit for the year	-	-	-	-	-	-	90,432	90,432
Dividends (note 10)	-	-	-	-	-	-	(46,226)	(46,226)
At 31 December 2000	1,004,011	(226,715)	222	55	16,102	2,122	559,233	1,355,030
Reserves retained by:								
Company and subsidiaries	1,004,011	(224,206)	-	-	1,971	2,871	496,544	1,281,191
Associates	-	(2,509)	222	55	14,131	(749)	62,689	73,839
At 31 December 2000	1,004,011	(226,715)	222	55	16,102	2,122	559,233	1,355,030
Company and subsidiaries	1,004,011	(224,206)	-	-	684	2,871	451,290	1,234,650
Associates	-	3,924	1,196	297	10,948	(747)	68,207	83,825
At 31 December 1999	1,004,011	(220,282)	1,196	297	11,632	2,124	519,497	1,318,475

* Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Company's subsidiaries and associates in the PRC has been transferred to reserve funds which are restricted as to use.

23. RESERVES (Cont'd)**The Company**

	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 1999	1,004,011	498,184	86,441	1,588,636
Profit for the year	–	–	44,752	44,752
Dividends (note 10)	–	–	(46,226)	(46,226)
At 31 December 1999 and 1 January 2000	1,004,011	498,184	84,967	1,587,162
Profit for the year	–	–	42,107	42,107
Dividends (note 10)	–	–	(46,226)	(46,226)
At 31 December 2000	1,004,011	498,184	80,848	1,583,043

The contributed surplus of the Company represents the difference between the underlying net assets of Seabase International (B.V.I.) Limited and its subsidiaries and the nominal value of the Company's shares issued therefor under the group reorganisation in 1991.

In addition to retained profits of the Company, under the Companies Act 1981 of Bermuda (as amended), contributed surplus of the Company is also available for distribution to its shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company's reserves available for distribution to shareholders as at 31 December 2000 amounted to HK\$579,032,000 (1999: HK\$583,151,000).

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
(a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2000	1999
	HK\$'000	HK\$'000
Profit from operating activities	65,955	63,306
Provision against inventories	–	12,617
Provision for impairment in values of fixed assets	4,855	–
Write-back of provision for doubtful debts	–	(15,571)
Write-back of provision against inventories	(9,572)	–
Write-back of provision for impairment in value of long term investments	(13,021)	(6,500)
Write-back of provision for other expenses	–	(4,000)
Amortisation of a long term investment	1,400	3,200
Depreciation	13,696	14,002
Dividend from a long term investment	(4,070)	(12,589)
Interest income	(58,050)	(49,991)
Loss on disposal of subsidiaries	971	–
Loss on disposal of fixed assets	331	132
Gain on disposal of other investments	(12,457)	–
Decrease in inventories	57,610	114,264
Decrease in trade debtors	15,300	2,961
Decrease in other debtors, prepayments and deposits	25,019	35,927
Decrease/(increase) in amounts due from fellow subsidiaries	(10,233)	37
Decrease/(increase) in amounts due from holding companies	1,124	(635)
Decrease/(increase) in other investments	642	(4,218)
Decrease in accounts payable	(24,495)	(102,437)
Increase in other payables and accruals	9,311	10,371
Increase in amounts due to fellow subsidiaries	42,772	12,161
Increase in amount due to a holding company	699	–
Decrease in amounts due to related companies	(68)	(13,378)
Net cash inflow from operating activities	107,719	59,659

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)
(b) Analysis of changes in financing during the year

	Bank borrowings with maturity over 3 months	Minority interests
	HK\$'000	HK\$'000
At 1 January 1999	87,776	92,730
Net cash inflow / (outflow) from financing activities	(48,797)	4,957
Dividends paid to minority shareholders	–	(5,757)
Acquisition of additional interest in a subsidiary	–	(15,644)
Share of loss for the year	–	(3,313)
At 31 December 1999 and beginning of year	38,979	72,973
Net cash inflow / (outflow) from financing activities	3,615	(6,511)
Share of profit for the year	–	1,552
Disposal of subsidiaries	–	(478)
At 31 December 2000	42,594	67,536

(c) Disposal of subsidiaries

	2000	1999
	HK\$'000	HK\$'000
Net assets disposed of:		
Fixed assets	2,507	–
Inventories	55	–
Other debtors, prepayments and deposits	933	–
Accounts payable	(484)	–
Other payables and accruals	(1,129)	–
Minority interests	(478)	–
	1,404	–
Loss on disposal of subsidiaries	(971)	–
	433	–
Satisfied by:		
Cash	433	–

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)
(c) Disposal of subsidiaries (Cont'd)

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2000	1999
	HK\$'000	HK\$'000
Cash consideration	466	–
Cash and bank balances disposed of	(33)	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	433	–

The subsidiaries disposed of made no material impact on the Group's cash flows.

25. CONTINGENT LIABILITIES

	The Group		The Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	–	–	661,300	346,174
Investee company	8,900	30,951	–	–
	8,900	30,951	661,300	346,174

26. COMMITMENTS**(a) Capital commitments**

	The Group	
	2000	1999
	HK\$'000	HK\$'000
Capital commitments in respect of acquisition of property and plant, contracted for	605	82

Other than as disclosed above, neither the Group nor the Company had any significant capital commitments at the balance sheet date.

(b) Commitments under operating leases

At 31 December 2000, the Group had commitments under non-cancellable operating leases to make payments in the following year as follows:

	2000	1999
	HK\$'000	HK\$'000
Land and buildings expiring:		
Within one year	901	36
In the second to fifth years, inclusive	–	1,709

At the balance sheet date, the Company did not have any significant commitments under operating leases.

27. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

	<i>Notes</i>	2000 HK\$'000	1999 HK\$'000
Transactions with fellow subsidiaries:			
Sales of goods	(i)	8,967	32,277
Purchases of goods	(i)	745,859	41,210
Freight charges and commission paid	(i)	11,339	2,037
Interest expenses paid	(ii)	1,904	–
Transactions with ultimate holding company:			
Purchases of goods	(i)	15,047	–
Transaction with a holding company:			
Operating lease rentals paid	(i)	849	1,709

(i) These transactions were carried out at market price or, where no market price was available, at cost plus a percentage of profit mark-up.

(ii) The interest expenses arose from the amounts due to fellow subsidiaries which are unsecured, have no fixed terms of repayment and bear interest at 3.5% – 6% per annum.

Other than the operating lease rental paid to a holding company, the related party transactions set out above also constituted connected transactions disclosable in accordance with the Listing Rules.

Except for the amounts due to certain fellow subsidiaries amounting to HK\$89,696,000 as at 31 December 2000 which bear interest at 3.5% – 6% per annum, the balances with fellow subsidiaries and holding companies are unsecured, interest-free and have no fixed terms of repayment.

The balances with related companies are unsecured, interest-free and have no fixed terms of repayment.

28. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2000 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued /registered share capital	Percentage of equity attributable to the Company		Principal activities
			2000	1999	
Best Prospects Limited	Western Samoa/ Hong Kong	Ordinary US\$1	100%	100%	Investment holding
Blissea Consortium Company Limited	Hong Kong	Ordinary HK\$1,000	100%	100%	Investment holding
China Foods Trading Limited	Hong Kong	Ordinary HK\$10,000,000	100%	100%	Trading of food products
東洲油脂工業(廣州) 有限公司 Eastbay Oils and Fats Industries (Guangzhou) Co., Ltd. [†]	PRC	RMB55,000,000	84%	84%	Processing and refining of edible oils and fats
Ellerdale Limited	British Virgin Islands/ Hong Kong	Ordinary US\$100	100%	100%	Investment holding
Grand Silver (Guangdong) Co. Limited	Hong Kong	Ordinary HK\$5,000,000	80%	80%	Investment holding
Oriental Rainbow Trading Limited	Western Samoa	Ordinary US\$100	84%	84%	Trading of edible oils and fats
Seabase International (B.V.I.) Limited	British Virgin Islands/ Hong Kong	Ordinary HK\$1,000	100%	100%	Investment holding
鵬源投資顧問(深圳) 有限公司 Top Spring Investment Consultancy (Shenzhen) Co., Ltd. [△]	PRC	HK\$5,000,000	100%	100%	Management and consultancy
廈門海嘉麵粉有限公司 Xiamen Haijia Flour Mills Co., Ltd. [†]	PRC	RMB71,325,000	60%	60%	Manufacture of flour products
Pinhard Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	100%	Investment holding

28. PRINCIPAL SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ registration and operations	Nominal value of issued /registered share capital	Percentage of equity attributable to the Company		Principal activities
			2000	1999	
Yuan Da Wine Industries Limited	Hong Kong	Ordinary HK\$100	100%	100%	Investment holding
鄭州海嘉食品有限公司 Zhengzhou Haijia Food Co., Ltd. [†]	PRC	RMB30,000,000	55%	55%	Manufacture of flour products

[△] Wholly foreign-owned enterprise

[†] Sino-foreign equity joint venture

Except for Seabase International (B.V.I.) Limited, all subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

29. ASSOCIATES

Particulars of the Group's associates at 31 December 2000 are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interests attributable to the Group		Principal activities
			2000	1999	
Ermine Silk Company Limited	Corporate	Hong Kong/ PRC	49%	49%	Processing and refining of edible oils and fats
中國長城葡萄酒有限公司 China Great Wall Wine Co., Ltd.	Corporate	PRC	25%	25%	Production of wine and beverage products

29. ASSOCIATES (Cont'd)

The above associates are audited by certified public accountants other than Ernst & Young and W. M. Sum & Co.

The above associates are held through wholly-owned subsidiaries of the Company.

30. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events took place:

- (i) On 30 January 2001, the Company entered into a conditional sale and purchase agreement with COFCO and COFCO (Hong Kong) Limited ("COFCO (HK)"), a wholly-owned subsidiary of COFCO, in respect of the proposed purchase from COFCO (HK) of (a) the entire issued share capital of COFCO Oils & Fats Holdings Limited ("COFCO Oils & Fats"); and (b) the entire issued share capital of COFCO Wines & Spirits Holdings Limited for a total consideration of approximately HK\$1,108.3 million subject to certain conditions. The consideration payable is to be satisfied in full by the issue and allotment of 692,656,250 ordinary shares of the Company at the issue price of HK\$1.6 per share.

On the same date, the Company entered into another conditional sale and purchase agreement with COFCO (HK) and COFCO to procure COFCO Oils & Fats to purchase from COFCO (HK) the entire issued share capital of COFCO (BVI) No.36 Limited for a consideration of approximately HK\$38.7 million subject to certain conditions. The consideration payable is to be satisfied in full by the issue and allotment of 24,202,697 ordinary shares of the Company at the issue price of HK\$1.6 per share.

The above acquisitions, if implemented, would result in a change in the controlling shareholder of the Company. The above acquisitions constitute connected transactions and further details are set out in the Company's circular dated 22 February 2001.

- (ii) Pursuant to an ordinary resolution passed on 19 March 2001, the authorised share capital of the Company was increased from HK\$90,000,000 to HK\$250,000,000 by the creation of an additional 1,600,000,000 shares of HK\$0.10 each.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of Directors on 6 April 2001.