

Notes on the Accounts

(Expressed in Hong Kong dollars)

1. RESTRUCTURING

Pursuant to the summary indicative heads of terms dated 16 December 1999 and, inter alia, a restructuring agreement dated 22 December 2000, the Group underwent a corporate reorganisation and indebtedness restructuring (the “Restructuring”). The terms of the Restructuring, which included, inter alia, transfer of certain non-core businesses and assets out from the Group, extinguishment of the amounts due to bank creditors, convertible bondholders and certain non-financial creditors by offering Restructuring consideration of \$773 million, waiver of amounts due to certain related companies and assignment of a loan from a related company, were set out in a circular to the shareholders of the Company dated 17 November 2000 (the “Circular”). The Restructuring, which has been approved by independent shareholders and bank creditors, was complete on 22 December 2000. The gain arising on the Restructuring is set out in note 6 on the accounts.

In accordance with the terms of the Restructuring, the Company has contributed \$773 million in cash to the pool of the Restructuring consideration. Such amount was funded by way of a bridging loan provided by the intermediate holding company, GDH Limited, to the Company pursuant to the Bridging Loan Agreement dated 22 December 2000. As stated in the Circular, the Company would, subject to the satisfaction of certain conditions, conduct an open offer to existing shareholders, excluding overseas shareholders, on the basis of 17 shares for every 2 existing shares held (the “Open Offer”). The number of shares to be issued at par under the Open Offer (the “Offer Shares”) would be 7,730,824,137. The proceeds of the Open Offer would be used for the sole purpose of repaying the bridging loan provided by GDH Limited. The Open Offer would be fully underwritten by GDH Limited. In the event that any of the shareholders did not subscribe for their pro-rata entitlement to the Offer Shares in full, GDH Limited was required to take up all the unsubscribed Offer Shares in its capacity as the underwriter. Subsequent to the balance sheet date, the Open Offer was complete and GDH Limited has taken up all the unsubscribed Offer Shares.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants (“HKSA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

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(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost modified by revaluation of certain land and buildings and the marking to market of certain investments in securities as explained in the accounting policies set out below.

(c) Basis of consolidation

- (i) The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from or to the date of their acquisition or disposal, as appropriate. All material intercompany transactions and balances are eliminated on consolidation.
- (ii) Goodwill arising on consolidation of subsidiaries and on acquisition of associates which represents the excess of the purchase consideration paid for acquisition of subsidiaries and associates over the fair value of the Group's share of the separable net assets acquired at the date of acquisition is charged to reserves in the year in which it arises. The excess of the Group's share of the fair value of the separable net assets of subsidiaries and associates acquired over the cost is credited to capital reserve.

Upon disposal of a subsidiary, any attributable amount of purchased goodwill which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

- (iii) Losses attributable to minority shareholders of partly owned subsidiaries are accounted for based on the respective equity owned by the minority shareholders up to the amount of the capital contributed by and other reserves attributable to the minority shareholders. Thereafter, all further losses are assumed by the Group.

(d) Investments in subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Group controls the composition of the board of directors. Details of the subsidiaries are set out in note 34 on the accounts.

Notes on the Accounts

(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Investments in subsidiaries (continued)

Investments in subsidiaries in the Company's balance sheet are stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each subsidiary individually. Any such provisions are recognised as an expense in the profit and loss account.

(e) Associates

An associate is a company in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

Unless the interest in the associate is acquired and held exclusively with a view to subsequent disposal in the near future, an investment in an associate is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the elimination of goodwill and the post-acquisition change in the Group's share of the associate's net assets. The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the associates for the year.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the profit and loss account.

The results of the associates are included in the Company's profit and loss account to the extent of dividends received and receivable, providing the dividend is in respect of a period ending on or before that of the Company and the Company's right to receive the dividend is established before the accounts of the Company are approved by the directors. In the Company's balance sheet, its investments in associates are stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each associate individually. Any such provisions are recognised as an expense in the profit and loss account.

Notes on the Accounts

(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Other investments in securities

The Group's and the Company's policies for investments in securities other than investments in subsidiaries and associates are as follows:

- (i) Investments held on a continuing basis for an identified long-term purpose are classified as "investment securities". Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.
- (ii) Provisions against the carrying value of investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- (iii) All other securities (whether held for trading or otherwise) are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise. Securities are presented as trading securities when they were acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin.
- (iv) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

(g) Fixed assets

- (i) Land and buildings are carried in the balance sheets at cost or revalued amount less accumulated depreciation and such provisions for diminution in value as considered necessary by the directors.

Advantage is taken of the transitional relief by paragraph 72 of Statement of Standard Accounting Practice No. 2117 "Property, plant and equipment" issued by the HKSA from the requirement to make regular revaluations of the Group's land and buildings, certain of which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of land and buildings has been carried out.

Notes on the Accounts

(Expressed in Hong Kong dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Fixed assets (continued)

- (ii) Other fixed assets are carried in the balance sheets at cost less accumulated depreciation.
- (iii) Provisions for land and buildings are made if and when the directors consider necessary. Any such provision is charged directly against the revaluation reserve to the extent that the provision does not exceed the amount held in the revaluation reserve in respect of the same property and the excess thereafter is recognised as an expense in the profit and loss account. When the circumstances and events that led to the provisions cease to exist, any subsequent increase in the recoverable amount of the land and buildings is written back to the profit and loss account, to the extent of any provisions previously charged to the profit and loss account.
- (iv) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (v) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

(h) Depreciation

Depreciation is provided to write-off the cost or revalued amount of fixed assets over their estimated useful lives from the date on which they are put into use and after taking into account their estimated residual value, using the straight line method, as follows:

Leasehold land	Over the unexpired term of the lease
Buildings	Over the shorter of the unexpired term of the lease and 20 to 50 years
Leasehold improvements	20% to 50% per annum
Plant and machinery, furniture, fixtures and equipment	10% to 20% per annum
Motor vehicles	20% per annum

Notes on the Accounts

(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Properties held for sale

Properties held for sale are stated at the lower of cost and open market value as at the balance sheet date as assessed by external qualified valuers.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. For merchandise held by supermarket warehouses, cost is calculated using the first-in-first-out method; for merchandise held by outlets, cost is calculated using the retail inventory method; and cost is calculated using the weighted average cost method for other inventories. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

Notes on the Accounts

(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(l) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

The results of branches and subsidiaries outside Hong Kong are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are retranslated at the rates of exchange ruling at the balance sheet date. The exchange differences arising from such retranslation are dealt with as a movement in reserves.

On disposal of branches and subsidiaries outside Hong Kong, the accumulated exchange differences in reserves attributable to the disposal are taken to the profit and loss account.

(m) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:

(i) *Sale of goods*

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

(ii) *Dividends*

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iii) *Interest Income*

Interest income from bank deposits and advances to associates is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

Notes on the Accounts

(Expressed in Hong Kong dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Retirement costs

The Group operates a defined contribution retirement benefits scheme for those employees who are eligible to participate in the scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the employer's contributions becoming fully vested, the amount is forfeited and recognised to the profit and loss account when refunded.

(o) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit and loss account as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the profit and loss account in the accounting period in which they are incurred.

(p) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operation decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(q) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purpose of the cash flow statement, cash equivalents would also include advances from banks repayable within three months from the date of the advance.

Notes on the Accounts

(Expressed in Hong Kong dollars)

3. TURNOVER

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 34 on the accounts.

Turnover represents the sales value of goods supplied to customers, after eliminating inter-company transactions. The amount of each significant category of revenue recognised in turnover is disclosed in note 4.

4. SEGMENTAL INFORMATION

The analysis of the Group's turnover by principal activities and geographical locations and loss from operations by principal activities during the financial year are as follows:

	Group turnover		Contribution to loss from operations	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
By principal activities				
<i>Continuing operations</i>				
Live and fresh foodstuffs distribution	1,444,350	1,537,578	12,828	25,569
Supermarket operations	708,787	756,154	(124,038)	(118,126)
Farming and feed production	167,095	162,016	4,096	3,529
Trading of foodstuffs	46,910	73,202	(2,296)	(23,047)
Unallocated corporate expenses	–	–	(43,567)	(55,184)
Other corporate revenue	–	–	39,737	3,852
	<u>2,367,142</u>	<u>2,528,950</u>	<u>(113,240)</u>	<u>(163,407)</u>
<i>Discontinued operations (note)</i>				
Tinplating	397,056	335,463	35,632	43,879
	<u>2,764,198</u>	<u>2,864,413</u>	<u>(77,608)</u>	<u>(119,528)</u>

Notes on the Accounts

(Expressed in Hong Kong dollars)

4. SEGMENTAL INFORMATION (continued)

	Group turnover	
	2000 \$'000	1999 \$'000
By geographical locations		
Hong Kong	2,081,233	2,229,561
Elsewhere in the People's Republic of China (the "PRC")	633,213	632,476
Others	49,752	2,376
	<u>2,764,198</u>	<u>2,864,413</u>

Note: On 22 December 2000, the Group disposed of its tinplating operations in the PRC pursuant to the Restructuring. Profit from ordinary activities after taxation of the discontinued operations for the year amounted to \$26,602,000 (1999: \$41,206,000). As the discontinued operations were transferred pursuant to the Restructuring, the resultant gain or loss on discontinuance of these operations cannot be quantified. The resultant gain on the Restructuring is disclosed in note 6(i) below.

5. OTHER REVENUE

	2000 \$'000	1999 \$'000
Dividends from listed investments	22,020	4,303
Interest income	16,409	2,306
Concession sale income	10,693	7,598
Advertising and promotion income	9,347	7,640
Rental income	1,602	1,573
Subsidy received (note 29(a))	8,109	–
Others	11,816	9,031
	<u>79,996</u>	<u>32,451</u>

Notes on the Accounts

(Expressed in Hong Kong dollars)

6. NON-OPERATING INCOME

	Note	2000 \$'000	1999 \$'000
Net gain on the Restructuring	(i)	1,433,265	–
Reduction in share of deficit of an associate	(ii)	13,805	–
Gain on warranty from a fellow subsidiary	(iii)	–	141,578
Net gain arising on exclusion of certain subsidiaries from consolidation	(iv)	–	274,994
		<u>1,447,070</u>	<u>416,572</u>

Notes:

- (i) The analysis of the net gain on the Restructuring is as follows:

	\$'000
Discharge of indebtedness to bank and other creditors and convertible bondholders	3,141,813
Share of net liabilities of subsidiaries transferred	1,722,635
Waiver of a loan payable to a related company	40,356
Waiver or assignment of inter-company payables and receivables between the Group and Guangdong Enterprises (Holdings) Limited and its subsidiaries	(2,571,631)
Group Restructuring consideration paid by the Group	(773,000)
Net carrying value of non-core assets disposed of at nil consideration	<u>(126,908)</u>
	<u>1,433,265</u>

- (ii) This represents a write back of the net deficit of an associate previously shared by the Group as a result of cessation of its operations.
- (iii) This represented a claim receivable from a fellow subsidiary under a warranty in respect of the purchases of a subsidiary and certain associates in prior years.
- (iv) Certain companies, which were consolidated in the Group's balance sheet as at 31 December 1998, were de-consolidated from the Group's consolidated results for the year ended 31 December 1999 as the directors considered that the Group accounts, if these companies had been consolidated, would not present a true and fair view of the financial position of the Group as a whole.

The results of these companies for the year ended 31 December 1999 were excluded from the Group's profit and loss account for the year ended 31 December 1999. As a result of the exclusion of these companies, a gain of \$275 million arose, which comprised the reversal of the share of net liabilities of these companies up to 31 December 1998 set-off by the full provision made against the cost of investments in, and amounts due from, these companies. As at 31 December 1999, the Company did not have any outstanding commitments in respect of these companies, nor guarantees granted in respect of any obligations of these companies in favour of third parties.

Notes on the Accounts

(Expressed in Hong Kong dollars)

7. NON-OPERATING EXPENSES

	Note	2000 \$'000	1999 \$'000
Losses on disposal of fixed assets	(i)	29,231	–
Provisions for impairment losses on cessation of operation of a subsidiary and an associate	(ii)	18,533	–
Provisions for diminution in value of fixed assets	(iii)	88,314	–
Provision for compensation arising from a claim received	(iv)	35,060	–
Provision for diminution in value of investment securities	(v)	21,744	–
Write off of pre-operating expenses and prepayments	(vi)	24,240	–
Loss on disposal of an associate	(vii)	2,215	–
Provision for diminution in value of listed securities	(viii)	49,241	59,855
Provision for bad and doubtful debts	(ix)		
– trade debtors		22,875	141,623
– other debtors		28,803	40,344
Net loss on liquidation of subsidiaries	(x)	16,527	32,496
Loss on dilution of investment in an associate	(xi)	–	33,086
		<u>336,783</u>	<u>307,404</u>

Notes:

- (i) The losses on disposal of fixed assets relate to net carrying value of certain fixed assets which have not been in use following a realignment of the Group's business operation.
- (ii) These represent the provision for impairment losses to the carrying value of the Group's investment in a subsidiary and the provision for the back to back guarantee given to another shareholder of an associate in respect of a loan obtained from a third party as a result of the cessation of the supermarket operations in Guangzhou, the PRC.
- (iii) These represent the provision for diminution in value of the land and buildings together with the furniture and fixtures, of the Group and of the Company as considered necessary by the directors taking into consideration a professional valuation at 26 September 2000.
- (iv) A claim of approximately \$35 million in connection with certain payments received by the Company was submitted to the Company in 1999 and disclosed as a contingent liability. After exchange of documents and taking into account the latest legal advice received, the directors consider that full provision should be made for the claim.
- (v) These represent provision for diminution in value of investment securities which were principally engaged in pig farming activities. The directors consider that provision is necessary to reflect the decrease in recoverable amount as a result of repositioning of such activities.

Notes on the Accounts

(Expressed in Hong Kong dollars)

7. NON-OPERATING EXPENSES (continued)

- (vi) This relates to the write off of certain pre-operating expenses and prepayments, which were considered as irrecoverable by the directors.
- (vii) This represents the loss arising from the disposal of a 20% equity interest in an associate of the Company during the year.
- (viii) These comprise provisions for diminution in value of listed securities which were made by reference to the market value of the relevant listed shares at the year end.
- (ix) Provisions were made against trade and other debtors balances brought forward from previous years which remained outstanding at the balance sheet date as a result of:
 - a review of the underlying security documentation by the Company's lawyers and it is evident that certain security documentation may not be legally enforceable; and
 - diminution in value of the underlying security pledged to the Group.
- (x) The amounts in 1999 and 2000 represented net loss on the liquidation of an overseas subsidiary and a subsidiary in the PRC respectively.
- (xi) As the Company did not take up the rights issue of a listed associate which became unconditional on 24 May 1999 and the new shares allotment on 30 June 1999, the Company's interest in the listed associate was reduced from 20% to 12%. In the circumstances, the investment in the listed associate was reclassified as investment securities. The difference between the carrying value of the listed investment stated under the equity method and the market value on 24 May 1999 was reflected as a loss on dilution of investment in the associate for the year ended 31 December 1999.

Notes on the Accounts

(Expressed in Hong Kong dollars)

8. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) from ordinary activities before taxation is arrived at after charging:

	2000 \$'000	1999 \$'000
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within 5 years	100,569	148,771
Interest on convertible bonds	48,489	13,651
Amortisation of premium on redemption of bonds	20,383	40,765
	<u>169,441</u>	<u>203,187</u>
(b) Other items:		
Cost of inventories	2,503,555	2,560,181
Staff costs (including retirement cost (refund)/ charge of \$(904,670) (1999: \$1,962,000))	140,054	128,289
Auditors' remuneration	3,221	2,846
Depreciation	50,075	68,590
Amortisation of deferred expenses	2,403	9,232
Operating lease charges in respect of property rentals	70,845	85,182

Cost of inventories includes \$19,922,000 (1999: \$20,339,000) relating to staff costs and depreciation expenses, which is also included in the respective total amounts disclosed separately above for each of these types of expenses. Cost of inventories also includes provisions against inventories and properties held for sale totalling \$1,022,154 (1999: \$15,295,000).

Notes on the Accounts

(Expressed in Hong Kong dollars)

9. TAXATION

Taxation in the consolidated profit and loss account represents:

	2000 \$'000	1999 \$'000
Provision for Hong Kong Profits Tax at 16% on the estimated assessable profits for the year	2,879	185
Under/(over) provision in respect of prior years	1,297	(3,136)
Tax refund relating to prior years	—	(3,279)
	<u>4,176</u>	<u>(6,230)</u>
PRC income tax	1,324	4,373
Share of associates' taxation	518	605
	<u>6,018</u>	<u>(1,252)</u>

The Directors have been advised that the gains arising from the Restructuring would not be subject to Hong Kong Profits Tax pursuant to an advance ruling received from the Inland Revenue Department of the Hong Kong Special Administrative Region.

Income tax for subsidiaries established and operating in other places within the PRC is calculated based on the applicable rates of income tax ruling in the relevant provinces or economic zones in the PRC.

No provision for deferred tax is made in the accounts as both the Group and the Company have net deferred tax assets whose future realisation is not assured beyond reasonable doubt.

10. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2000 \$'000	1999 \$'000
Fees	22	22
Salaries and other emoluments	4,924	5,306
Retirement scheme contributions	114	214
	<u>5,060</u>	<u>5,542</u>

Notes on the Accounts

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10. DIRECTORS' REMUNERATION (continued)

Included in the Directors' remuneration were fees and other emoluments of \$6,000 and \$900,000 (1999: \$6,000 and \$450,000) respectively paid to the independent non-executive directors during the year.

In addition to the above emoluments, a Director had share options granted under the Company's share option scheme. Details of these benefits in kind are disclosed under the paragraph "Directors' Interests in Shares and Rights to Subscribe for Shares" in the Report of the Directors.

In the absence of a ready market for the share options granted on the shares of the Company, the Directors are unable to arrive at an accurate assessment of the value of the share options granted to the respective directors.

The remuneration of the Directors is within the following band:

\$	2000 Number of directors	1999 Number of directors
Nil – 1,000,000	18	23
1,000,000 – 1,500,000	1	–
	<u>19</u>	<u>23</u>

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the year included 2 directors of the Company (1999: 3), details of whose remuneration are set out in note 10 above. The remuneration of the other 3 individuals (1999: 2) is as follows:

	2000 \$'000	1999 \$'000
Salaries, allowances and benefits in kind	1,638	1,343
Bonuses paid and payable	–	60
Pension scheme contributions	42	13
	<u>1,680</u>	<u>1,416</u>

The remuneration of the 3 individuals (1999: 2) is within the band of \$Nil to \$1,000,000.

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12. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit/(loss) attributable to shareholders includes a profit of \$828,160,000 (1999: loss of \$706,604,000) which has been dealt with in the accounts of the Company.

13. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders of \$866,057,000 (1999: loss of \$194,219,000) and the weighted average of 909,509,000 (1999: 909,509,000) ordinary shares in issue during the year.

The exercise of the subscriptions rights conferred by the share options and the Offer Shares would not have any dilutive effect on the earnings/(loss) per share for the years 2000 and 1999 as the net gain on the Restructuring and the profit from discontinued operations are not taken into account in calculating the diluted earnings/(loss) per share.

Notes on the Accounts

(Expressed in Hong Kong dollars)

14. FIXED ASSETS

(a) The Group

	Land and buildings \$'000	Leasehold improvements \$'000	Plant and machinery, furniture, fixtures and equipment \$'000	Motor Vehicles \$'000	Total \$'000
Cost or valuation (note 14 (e)):					
At 1 January 2000	515,097	50,628	308,842	16,065	890,632
Additions	19,584	7,383	12,334	1,243	40,544
Disposals	(287,049)	(3,537)	(191,570)	(5,376)	(487,532)
Exchange adjustments	(3,166)	(117)	(3,694)	(334)	(7,311)
Reclassification	–	(5,946)	5,946	–	–
At 31 December 2000	<u>244,466</u>	<u>48,411</u>	<u>131,858</u>	<u>11,598</u>	<u>436,333</u>
Accumulated depreciation:					
At 1 January 2000	32,141	25,700	111,239	9,156	178,236
Charge for the year	11,187	9,136	28,292	1,460	50,075
Written back on disposal	(22,972)	(3,436)	(81,754)	(3,023)	(111,185)
Provision for diminution in value (note 14(d))	83,367	–	4,947	–	88,314
Exchange adjustments	(446)	(46)	(2,688)	(116)	(3,296)
Reclassification	–	(983)	983	–	–
At 31 December 2000	<u>103,277</u>	<u>30,371</u>	<u>61,019</u>	<u>7,477</u>	<u>202,144</u>
Net book value:					
At 31 December 2000	<u>141,189</u>	<u>18,040</u>	<u>70,839</u>	<u>4,121</u>	<u>234,189</u>
At 31 December 1999	<u>482,956</u>	<u>24,928</u>	<u>197,603</u>	<u>6,909</u>	<u>712,396</u>

Notes on the Accounts

(Expressed in Hong Kong dollars)

14. FIXED ASSETS (continued)

(b) The Company

	Land and buildings \$'000	Leasehold improvements \$'000	Plant and machinery, furniture, fixtures and equipment \$'000	Motor Vehicles \$'000	Total \$'000
Cost or valuation (note 14 (e)):					
At 1 January 2000	169,879	9,041	4,195	3,646	186,761
Additions	–	–	278	–	278
Disposals	(32,051)	–	–	–	(32,051)
At 31 December 2000	<u>137,828</u>	<u>9,041</u>	<u>4,473</u>	<u>3,646</u>	<u>154,988</u>
Accumulated depreciation:					
At 1 January 2000	14,399	6,572	1,671	3,187	25,829
Charge for the year	3,097	780	455	256	4,588
Written back on disposal	(3,159)	–	–	–	(3,159)
Provision for diminution in value (note 14 (d))	<u>69,375</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>69,375</u>
At 31 December 2000	<u>83,712</u>	<u>7,352</u>	<u>2,126</u>	<u>3,443</u>	<u>96,633</u>
Net book value:					
At 31 December 2000	<u>54,116</u>	<u>1,689</u>	<u>2,347</u>	<u>203</u>	<u>58,355</u>
At 31 December 1999	<u>155,480</u>	<u>2,469</u>	<u>2,524</u>	<u>459</u>	<u>160,932</u>

Notes on the Accounts

(Expressed in Hong Kong dollars)

14. FIXED ASSETS (continued)

(c) An analysis of the net book value of land and buildings is as follows:

	The Group		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
In Hong Kong on long-term leases	54,116	129,153	54,116	129,153
Elsewhere in the PRC on medium-term leases	87,073	353,803	–	26,327
	<u>141,189</u>	<u>482,956</u>	<u>54,116</u>	<u>155,480</u>

(d) Provisions for diminution in value included a provision on leasehold land and buildings situated in Hong Kong and the PRC amounting to \$69,375,000 and \$13,992,000 respectively, and a provision of \$4,947,000 on furniture and fixtures of a subsidiary in the PRC. For the leasehold land and buildings situated in Hong Kong, a provision for diminution in value has been made by the Directors taking into consideration a professional valuation, on an open market value basis, as at 26 September 2000 carried out by Vigers Hong Kong Limited, a firm of professional valuers. For the leasehold land and buildings situated in the PRC and the furniture and fixtures held by the PRC subsidiary, provisions have been made to reduce the carrying value to the recoverable amounts estimated by the Directors. Provisions for diminution in value of fixed assets have been charged to the profit and loss account.

(e) Fixed assets of the Group and of the Company at 1 January 2000 included a property held for own use and carried at valuation, which was transferred out of the Group on 22 December 2000 as part of the Restructuring. As at 31 December 2000, all of the fixed assets held by the Group and the Company were carried at cost.

Notes on the Accounts

(Expressed in Hong Kong dollars)

15. INTEREST IN SUBSIDIARIES

	2000 \$'000	1999 \$'000
Unlisted shares, at cost	112,413	237,039
Amounts due from subsidiaries	590,754	2,527,707
	<u>703,167</u>	<u>2,764,746</u>
Less: Provisions	(511,670)	(1,959,429)
	<u>191,497</u>	<u>805,317</u>

Details of the subsidiaries, which are incorporated in Hong Kong unless otherwise stated, are set out in note 34.

16. INTEREST IN ASSOCIATES

	The Group		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Unlisted shares, at cost	–	–	246,784	258,519
Share of net assets	114,393	121,992	–	–
Amounts due from associates	56,767	47,250	55,989	45,681
	<u>171,160</u>	<u>169,242</u>	<u>302,773</u>	<u>304,200</u>
Less: Provision for diminution in value	–	–	(121,408)	(121,408)
	<u>171,160</u>	<u>169,242</u>	<u>181,365</u>	<u>182,792</u>

Apart from a loan of \$52,416,000 (1999: \$44,771,000) due from an associate, Yellow Dragon Food Industry Company Limited, details of which are disclosed in note 29(b), the amounts due from other associates are unsecured and non-interest bearing.

Details of the associates, which are incorporated in Hong Kong unless otherwise stated, are set out in note 35.

Notes on the Accounts

(Expressed in Hong Kong dollars)

17. INVESTMENT SECURITIES

(a) Investment securities

	The Group		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Unlisted equity securities, at cost	51,487	67,788	-	15,751
Less: Provision	(51,487)	(45,751)	-	(15,751)
	<u>-</u>	<u>22,037</u>	<u>-</u>	<u>-</u>
Shares listed in Hong Kong, at cost	-	271,534	-	271,534
Less: Provision	-	(155,923)	-	(155,923)
	<u>-</u>	<u>115,611</u>	<u>-</u>	<u>115,611</u>
	<u>-</u>	<u>137,648</u>	<u>-</u>	<u>115,611</u>
Market value of listed investment securities	<u>-</u>	<u>115,611</u>	<u>-</u>	<u>115,611</u>

(b) Other securities

Shares listed in Hong Kong, at market value	<u>16,373</u>	<u>31,029</u>	<u>16,373</u>	<u>-</u>
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18. INVENTORIES

	The Group	
	2000 \$'000	1999 \$'000
Raw materials	14,616	57,117
Finished goods	25,553	43,398
Merchandise held for resale	65,845	123,471
Spare parts and consumables	198	1,227
	<u>106,212</u>	<u>225,213</u>
Less: Provision	<u>(3,949)</u>	<u>(6,985)</u>
	<u>102,263</u>	<u>218,228</u>

The amount of inventories included above carried at net realisable value is approximately \$17,924,000 (1999: \$18,039,000).

Notes on the Accounts

(Expressed in Hong Kong dollars)

19. PROPERTIES HELD FOR SALE

	The Group		The Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Cost	–	84,548	–	6,291
Less: Provision	–	(32,515)	–	–
	<u>–</u>	<u>52,033</u>	<u>–</u>	<u>6,291</u>

20. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Trade debtors	10,895	175,559	2	34,993
Bills receivable	–	12,394	–	–
Other debtors, deposits and prepayments	46,582	122,448	15,798	12,046
Advances to minority shareholders of partly owned subsidiaries less provision	25,625	30,422	–	–
Amounts due from holding companies and fellow subsidiaries	–	513,487	–	430,473
Amounts due from other related companies less provision	8,777	7,918	–	1,726
	<u>91,879</u>	<u>862,228</u>	<u>15,800</u>	<u>479,238</u>

Included in the trade and other receivables are balances of \$13,354,507 (1999: \$28,084,872) expected to be recovered after one year.

Notes on the Accounts

(Expressed in Hong Kong dollars)

20. TRADE AND OTHER RECEIVABLES (continued)

Included in trade and other receivables are trade debtors and bills receivable net of provision for bad and doubtful debts, based on invoice date, with the following ageing analysis:

	The Group		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Within 1 month	6,881	47,905	–	68
1 to 3 months	4,014	2,942	–	–
More than 3 months but less than 12 months	–	36,333	2	45
More than 1 year but less than 2 years	–	100,773	–	34,880
	<u>10,895</u>	<u>187,953</u>	<u>2</u>	<u>34,993</u>

The Group maintains a defined policy with credit period ranging from advance payment to not more than 60 days.

21. INTEREST-BEARING BORROWINGS

	The Group		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Bank loans and overdrafts				
– secured	–	147,069	–	86,019
– unsecured	8,429	1,938,483	616	1,843,022
	<u>8,429</u>	<u>2,085,552</u>	<u>616</u>	<u>1,929,041</u>
Convertible bonds	–	862,187	–	–
Other loans	–	75,211	–	–
	<u>8,429</u>	<u>3,022,950</u>	<u>616</u>	<u>1,929,041</u>

Notes on the Accounts

(Expressed in Hong Kong dollars)

21. INTEREST-BEARING BORROWINGS (continued)

At 31 December 2000, the bank loans and overdrafts were repayable as follows:

	The Group		The Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Within 1 year or on demand	<u>8,429</u>	<u>2,085,552</u>	<u>616</u>	<u>1,929,041</u>

Most of the Group's interest-bearing borrowings were discharged pursuant to the Restructuring.

22. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Creditors and accrued charges	383,880	521,075	52,628	112,443
Advances from related companies	–	40,356	–	34,476
Amounts due to ultimate holding company and fellow subsidiaries	–	81,026	–	51,471
Amounts due to associates	–	4,376	–	–
Amounts due to other related companies	816	421	–	19
	<u>384,696</u>	<u>647,254</u>	<u>52,628</u>	<u>198,409</u>

All of the trade and other payables are expected to be settled within one year.

Notes on the Accounts

(Expressed in Hong Kong dollars)

22. TRADE AND OTHER PAYABLES (Continued)

Included in trade and other payables are trade creditors with the following ageing analysis:

	The Group		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Due within 1 month or on demand	198,453	189,404	12,925	12,360
Due after 1 month but within 3 months	39,849	16,459	–	–
Due after 3 months but within 12 months	5,325	4,602	–	–
	<u>243,627</u>	<u>210,465</u>	<u>12,925</u>	<u>12,360</u>

23. SHARE CAPITAL

	2000		1999	
	Number of shares (thousand)	\$'000	Number of shares (thousand)	\$'000
Authorised:				
Ordinary shares of \$0.1 each	<u>15,000,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>150,000</u>
Issued and fully paid:				
At 1 January and at 31 December	<u>909,509</u>	<u>90,951</u>	<u>909,509</u>	<u>90,951</u>

- (a) By an ordinary resolution passed at the Company' extraordinary general meeting held on 4 December 2000, the Company's authorised share capital was increased to \$1,500 million by the creation of an additional 13,500 million ordinary shares of \$0.1 each, ranking pari passu in all respects with the existing shares of the Company.

Notes on the Accounts

(Expressed in Hong Kong dollars)

23. SHARE CAPITAL (continued)

(b) Share option scheme

The total number of unexercised share options previously granted to the directors and employees of the Company and its subsidiaries at 31 December 2000 was 8,130,000 (1999: 10,240,000). No option was granted during the year ended 31 December 2000 (1999: Nil). No option was exercised during the year ended 31 December 2000 (1999: Nil).

At 31 December 2000, the outstanding options were as follows:

Date of options granted	Period during which options exercisable	Exercise price per share	Number of options outstanding at the year end
20 February 1997	21/02/1998 to 19/02/2001	\$7.064	4,610,000
27 May 1997	28/05/1998 to 26/05/2001	\$9.600	1,600,000
3 July 1997	04/07/1998 to 02/07/2001	\$9.336	320,000
11 February 1998	12/02/1999 to 10/02/2002	\$4.080	1,600,000
			8,130,000

- (c) Subsequent to the balance sheet date, 7,730,824,137 shares of \$0.1 each were issued by way of the Open Offer as detailed in note 1.

Notes on the Accounts

(Expressed in Hong Kong dollars)

24. RESERVES

(a) The Group

	Share premium \$'000	Capital redemption reserve \$'000	Capital reserve \$'000	Exchange fluctuation reserve \$'000	Revaluation reserve \$'000	Other reserves \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 1999	1,723,840	971	34,686	18,516	6,614	4,790	(3,064,050)	(1,274,633)
Exchange differences arising on consolidation	-	-	-	2,215	-	-	-	2,215
Loss for the year	-	-	-	-	-	-	(194,219)	(194,219)
Provision for diminution in value of land and buildings	-	-	-	-	(5,080)	-	-	(5,080)
Dilution of investment in an associate	-	-	12,478	(241)	-	-	-	12,237
Liquidation or exclusion of subsidiaries from consolidation	-	-	(5,099)	(20,597)	-	-	-	(25,696)
Reclassification	-	-	(798)	-	-	798	-	-
Transfer to statutory reserve	-	-	-	-	-	8,577	(8,577)	-
At 31 December 1999	<u>1,723,840</u>	<u>971</u>	<u>41,267</u>	<u>(107)</u>	<u>1,534</u>	<u>14,165</u>	<u>(3,266,846)</u>	<u>(1,485,176)</u>
At 1 January 2000	1,723,840	971	41,267	(107)	1,534	14,165	(3,266,846)	(1,485,176)
Exchange differences arising on consolidation	-	-	-	(4,328)	-	-	-	(4,328)
Profit for the year	-	-	-	-	-	-	866,057	866,057
Reserves realised upon disposal of subsidiaries	-	-	6,890	1,977	-	-	-	8,867
Release of revaluation and other reserves	-	-	-	-	(1,534)	(18,947)	20,481	-
Transfer to statutory reserve	-	-	-	-	-	5,979	(5,979)	-
At 31 December 2000	<u>1,723,840</u>	<u>971</u>	<u>48,157</u>	<u>(2,458)</u>	<u>-</u>	<u>1,197</u>	<u>(2,386,287)</u>	<u>(614,580)</u>

Included in the accumulated losses as at 31 December 2000 is a loss of \$43,265,000 attributable to associates (1999: \$50,699,000).

Notes on the Accounts

(Expressed in Hong Kong dollars)

24. RESERVES (continued)

The application of the share premium account and capital redemption reserve account is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

The capital reserve, exchange fluctuation reserve and revaluation reserve have been set up and will be dealt with in accordance with the accounting policies adopted for goodwill/capital reserve arising on subsidiaries and associates, foreign currency translation and the revaluation of land and buildings held for own use (note 2). Other reserves represent statutory reserves of entities established in the PRC.

(b) The Company

	Share premium \$'000	Capital redemption reserve \$'000	Capital reserve \$'000	Revaluation Reserve \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 1999	1,723,840	971	48,157	5,592	(2,352,445)	(573,885)
Loss for the year	–	–	–	–	(706,604)	(706,604)
Provision for diminution in value of land and buildings	–	–	–	(5,080)	–	(5,080)
At 31 December 1999	<u>1,723,840</u>	<u>971</u>	<u>48,157</u>	<u>512</u>	<u>(3,059,049)</u>	<u>(1,285,569)</u>
At 1 January 2000	1,723,840	971	48,157	512	(3,059,049)	(1,285,569)
Profit for the year	–	–	–	–	828,160	828,160
Realised upon disposal of property	–	–	–	(512)	512	–
At 31 December 2000	<u>1,723,840</u>	<u>971</u>	<u>48,157</u>	<u>–</u>	<u>(2,230,377)</u>	<u>(457,409)</u>

25. LOAN FROM INTERMEDIATE HOLDING COMPANY

The loan from intermediate holding company, GDH Limited, was interest free, secured by the proceeds from the Open Offer fully underwritten by GDH Limited, and repayable upon the completion of the Open Offer.

Notes on the Accounts

(Expressed in Hong Kong dollars)

26 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) from ordinary activities before taxation to net cash inflow from operating activities

	2000	1999
	\$'000	\$'000
Profit/(loss) from ordinary activities before taxation	871,190	(211,410)
Finance costs	169,441	203,187
Interest income	(16,409)	(2,306)
Dividend income from listed investments	(22,020)	(4,303)
Losses on disposal of fixed assets	32,296	3,627
Net gain arising on exclusion of certain companies from consolidation	–	(274,994)
Provisions for diminution in value of investments	49,241	59,855
Loss on dilution of investment in an associate	–	33,086
Net loss on liquidation of subsidiaries	16,527	32,496
Depreciation	50,075	68,590
Amortisation of pre-operating expenses	2,403	9,232
Share of profits less losses of associates	(7,952)	(2,137)
Net gain on the Restructuring	(1,433,265)	–
Write-off of pre-operating expenses and prepayments	24,240	–
Provision for diminution in value of investment securities	21,744	–
Provision for diminution in value of fixed assets	88,314	–
Provision for compensation arising from a claim received	35,060	–
Reduction in share of deficit of an associate	(13,805)	–
Loss on disposal of an associate	2,215	–
Unrealised gain on other securities	795	–
Provision for impairment losses on cessation of operation of a subsidiary and an associate	18,533	–
Decrease in inventories	4,523	53,945
Increase in properties held for sale	–	(17,750)
Decrease in debtors, bills receivable, deposits and prepayments	68,957	258,465
Decrease/(increase) in amounts due from minority shareholders	4,797	(4,769)
(Increase)/decrease in amounts due from related companies	(859)	63,764
Increase in amounts due from holding companies and fellow subsidiaries	–	(144,260)
Increase in advances from related companies	–	40,356
Increase in amounts due to related companies	–	5,397
Increase in creditors and accrued expenses	136,364	71,325
Increase in amounts due to ultimate holding company and fellow subsidiaries	–	81,248
(Decrease)/increase in amounts due to associates	(4,376)	4,367
Net cash inflow from operating activities	<u>98,029</u>	<u>327,011</u>

Notes on the Accounts

(Expressed in Hong Kong dollars)

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year

	Shareholders' loans to subsidiaries contributed by minority shareholders \$'000	Bank borrowings \$'000	Other loans \$'000	Convertible bonds \$'000	Total \$'000
At 1 January 1999	224,568	2,147,143	138,725	821,422	3,331,858
New bank loans	-	77,542	-	-	77,542
Repayment of loans	(712)	(53,053)	(21,901)	-	(75,666)
Amortisation of bond premium	-	-	-	40,765	40,765
Exclusion of loans of a subsidiary upon liquidation	-	(21,745)	-	-	(21,745)
Exclusion of loans of companies excluded from consolidation	(190,295)	(64,335)	(41,613)	-	(296,243)
At 31 December 1999	<u>33,561</u>	<u>2,085,552</u>	<u>75,211</u>	<u>862,187</u>	<u>3,056,511</u>
At 1 January 2000	33,561	2,085,552	75,211	862,187	3,056,511
New bank loans	-	4,638	-	-	4,638
Repayment of loans	-	(17,412)	-	-	(17,412)
Amortisation of bond premium	-	-	-	20,383	20,383
Exclusion of loans pursuant to the Restructuring	(13,304)	(1,949,540)	(75,211)	(882,570)	(2,920,625)
Exclusion of loans of a subsidiary upon disposal	-	(118,600)	-	-	(118,600)
At 31 December 2000	<u>20,257</u>	<u>4,638</u>	<u>-</u>	<u>-</u>	<u>24,895</u>

Notes on the Accounts

(Expressed in Hong Kong dollars)

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Subsidiaries disposed/liquidated

	Subsidiaries disposed		Subsidiary liquidated	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Net (liabilities)/assets disposed:				
Fixed assets	299,196	–	15,964	1,623
Pre-operating expenses	–	–	8,850	–
Inventories	88,804	–	6,422	12,076
Properties held for sale	45,609	–	–	–
Debtors, bills receivables, deposits and prepayments	167,455	–	15,899	3,838
Other securities	5,967	–	–	–
Amounts due from related companies less provision	–	–	–	12,187
Amounts due from holding companies and fellow subsidiaries	124,114	–	–	24,338
Cash and bank balances	123,201	–	1,519	179
Interest-bearing borrowings	(118,600)	–	–	(21,745)
Creditors and accrued charges	(171,837)	–	(31,104)	–
Tax payable	(348)	–	(322)	–
Amounts due to ultimate holding company and fellow subsidiaries	(2,276,041)	–	–	–
Minority interests	(17,045)	–	(701)	–
	<u>(1,729,525)</u>	<u>–</u>	<u>16,527</u>	<u>32,496</u>
Release of reserves	6,890	–	–	–
	<u>(1,722,635)</u>	<u>–</u>	<u>16,527</u>	<u>32,496</u>

Notes on the Accounts

(Expressed in Hong Kong dollars)

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(d) Non-cash transactions

	2000 \$'000	1999 \$'000
Assets and liabilities transferred pursuant to the Restructuring		
Fixed assets	28,891	–
Properties held for sale	6,291	–
Investment securities	91,726	–
Inter-company payables and receivables	2,571,631	–
Loan from intermediate holding company	773,000	–
Bank loans and other borrowings	(2,920,625)	–
Creditors and accrued charges	(221,188)	–
Advances due to related companies	(40,356)	–
	<u>289,370</u>	<u>–</u>

(e) Companies excluded from consolidation:

	2000 \$'000	1999 \$'000
Net (liabilities)/assets excluded:		
Fixed assets	–	221,183
Inventories	–	110,642
Debtors, bills receivables, deposits and prepayments	–	121,955
Advances to minority shareholders of partly owned subsidiaries	–	5
Amounts due from related companies less provision	–	3,709
Amounts due from holding companies and fellow subsidiaries	–	145
Cash and bank balances	–	12,190
Creditors and accrued charges	–	(333,052)
Interest-bearing borrowings	–	(105,948)
Amounts due to related companies	–	(86,891)
Shareholders' loans to subsidiaries contributed by minority shareholders	–	(190,295)
Taxation payable	–	(1,443)
Minority interests	–	(26,961)
Amounts due to ultimate holding company and fellow subsidiaries	–	(233)
	<u>–</u>	<u>(274,994)</u>

Notes on the Accounts

(Expressed in Hong Kong dollars)

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(f) Cash and cash equivalents

	2000 \$'000	1999 \$'000
Cash and bank balances	113,720	190,161
Bank overdrafts	<u>(3,791)</u>	<u>–</u>
	<u>109,929</u>	<u>190,161</u>

27. CONTINGENT LIABILITIES

At 31 December 2000, there were material contingent liabilities in respect of the following:

	The Group		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Guarantee given to a shareholder of an associate in respect of a loan granted to the associate by a third party	–	2,347	–	–
Guarantees given to banks in respect of banking facilities granted to the following parties				
– subsidiaries	–	–	–	1,449,385
– an associate	<u>21,840</u>	<u>21,840</u>	<u>21,840</u>	<u>21,840</u>
	<u>21,840</u>	<u>24,187</u>	<u>21,840</u>	<u>1,471,225</u>

At 31 December 2000, banking facilities guaranteed by the Company were utilised by subsidiaries and an associate to the extent of \$Nil (1999: \$900,054,000) and \$18,720,000 (1999: \$21,840,000) respectively.

Notes on the Accounts

(Expressed in Hong Kong dollars)

28. COMMITMENTS

- (a) Capital commitments outstanding as at 31 December 2000 not provided for in the accounts were as follows:

	The Group	
	2000 \$'000	1999 \$'000
Contracted for	34,777	35,709
Authorised but not contracted for	7,631	8,693
	<u>42,408</u>	<u>44,402</u>

- (b) At 31 December 2000, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Within 1 year	64,163	76,930	–	148
After 1 year but within 5 years	54,991	83,286	–	–
After 5 years	3,007	6,821	–	–
	<u>122,161</u>	<u>167,037</u>	<u>–</u>	<u>148</u>

29. Material related party transactions

Material related party transactions during the year are summarised as follows:

	2000 \$'000	1999 \$'000
Sales of goods to associates	<u>259,712</u>	<u>272,366</u>
Purchases of goods from associates	<u>26,894</u>	<u>14,433</u>
Loan from an intermediate holding company (note 25)	<u>773,000</u>	<u>–</u>
Subsidy received from a related company	<u>8,109</u>	<u>–</u>
Interest received from an associate	<u>9,499</u>	<u>–</u>

Notes on the Accounts

(Expressed in Hong Kong dollars)

29. MATERIAL RELATED PARTY TRANSACTIONS (continued)

- (a) Subsidy of \$8,109,000 was received pursuant to instructions given by an intermediate holding company, Guangnan Hong (Group) Limited, in respect of the reimbursement of legal and professional expenses incurred by the Company during the year.
- (b) Balances with related parties at 31 December are included in amounts due from/to the respective parties in the balance sheets.

These balances are interest free and have no fixed terms of repayment, except for the following:

In 1999, the Company entered into an unsecured shareholders' loan agreement with an associate, Yellow Dragon Food Industry Company Limited. According to the agreement the Company agreed to advance US\$6.7 million to the associate at an interest rate of 7.8% per annum. The amount is repayable in full in 5 years commencing from 1 January 2000 and the principal and interest shall be payable twice annually. Interest received and receivable from the associate for the year amounted to \$9.5 million (1999: \$Nil). At the balance sheet date, the outstanding loan and interest receivable from the associate amounted to \$52.4 million (1999: \$44.8 million) and \$3.0 million (1999: \$Nil) respectively.

30. RETIREMENT BENEFITS SCHEME

The Group's staff provident fund scheme (the "Scheme") is a defined contribution scheme. The objective of the Scheme is to provide the employees of the Group with a sum of money which is payable by the Scheme on their retirement from, or death during service with, the Group. Each participating employee is required to contribute an amount equal to 5% of his/her salary each month and the amount shall be deducted from the employee's monthly salary. In respect of each participating employee, the Group contributes an amount calculated at the applicable percentage of the employee's monthly salary according to the number of completed years of service with the Group. The contributions made by the Group to the Scheme for the year ended 31 December 2000 amounted to \$2,390,000 (1999: \$1,263,000).

Where participating employees leave the service of the Group prior to the normal retirement age of 60 for reasons other than illness, health and death, the benefits payable to the employees will be the account accumulated from the employees' contribution plus a certain percentage of the Group's contributions, ranging from 0% to 100% determined according to the employees' period of service with the Group, in the employees' account with interest thereon. Any amount not paid to the employees upon cessation of services with the Group shall be forfeited and refunded to the Group. During the year, forfeited contributions utilised amounted to \$3,677,000 (1999: \$802,000). As at 31 December 2000, there were no forfeited contributions available to offset future contributions to the Scheme by the Group.

Notes on the Accounts

(Expressed in Hong Kong dollars)

31. POST BALANCE SHEET EVENTS

- (a) The Open Offer as detailed in note 1 was complete on 16 January 2001. Upon completion of the Open Offer, the capital base of the Company was increased by an amount of \$773,082,414, representing 7,730,824,137 shares of \$0.1 each.
- (b) Subsequent to the balance sheet date, the Company acquired all the remaining 49% interest in its subsidiary, Southern Chain (Hong Kong) Limited, at a total consideration of \$7. After the acquisition, Southern Chain (Hong Kong) Limited became a wholly-owned subsidiary of the Company.
- (c) Subsequent to the balance sheet date, Guangdong Guangnan Tianmei Food Development Company Limited, a subsidiary of the Company, and Guangnan Nandai Supermarket Company Limited, an associate of the Company, have ceased their supermarket operations in Guangzhou, the PRC.

32. COMPARATIVE FIGURES

At 31 December 1999, as the Group was in technical default under many of its loan covenants, the principal amounts of the loans had become repayable immediately. No attempt was therefore made to classify such liabilities at 31 December 1999 into long-term or short-term liabilities according to their original maturity dates as the repayment of these loans was subject to the Group's restructuring proposal.

As disclosed in note 1, the Group Restructuring was complete on 22 December 2000. The interest-bearing borrowings, including bank loans and notes payable, were extinguished thereupon. Comparative figures of shareholders' loans to subsidiaries contributed by minority shareholders have been classified as long term liabilities as the loans have not been repaid within one year from 31 December 1999. Comparative figures of the liabilities other than the above have been reclassified as current liabilities as these liabilities should have been repayable within one year from 31 December 1999.

Net gain arising on exclusion of certain subsidiaries from consolidation amounting to \$274,994,000 included in the non-operating expenses in 1999 was reclassified to non-operating income in 2000 to confirm with the current year's presentation.

33. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company at 31 December 2000 to be Guangdong Yue Gang Investment Holdings Company Limited, which is established in the PRC.

Notes on the Accounts

(Expressed in Hong Kong dollars)

34. LIST OF SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2000 are as follows:

Name of subsidiary	Principal country /place of operations	Class of shares held	Issued and fully paid capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Proportion of nominal value of issued capital/ registered capital held by subsidiary	Principal activities
Cheung Hong Supermarket Limited	Hong Kong	Ordinary	HK\$2,000,000	–	100%	Dormant
*Dongguan Guangnan Stock Development Co., Ltd.	The PRC	N/A	HK\$49,430,000	51%	–	Pig rearing and distribution of livestock
*Dongguan Jinhuang Food Co., Ltd.	The PRC	N/A	HK\$72,800,720	–	70%	Pig rearing and distribution of livestock
*高要廣南畜牧發展有限公司	The PRC	N/A	RMB31,200,000	51%	–	Pig rearing and distribution of
*GETDD Inchcape Guangnan Distribution Co., Ltd.	The PRC	N/A	US\$6,500,000	–	80%	Dormant
*Guangdong Guangnan Tianmei Food Development Company Limited	The PRC	N/A	RMB34,820,000	–	55%	Supermarket operations
Guangnan Distribution Company Limited	Hong Kong	Ordinary	HK\$10,000,000	–	100%	Investment holding

Notes on the Accounts

(Expressed in Hong Kong dollars)

34. LIST OF SUBSIDIARIES (continued)

Name of subsidiary	Principal country /place of operations	Class of shares held	Issued and fully paid capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Proportion of issued capital/ registered capital held by the subsidiary	Principal activities
Guangnan Fresh and Live Foodstuffs Limited	Hong Kong	Ordinary	HK\$1,000,000	100%	–	Distribution of live and fresh foodstuffs
Guangnan (KK) Supermarket Limited	Hong Kong	Ordinary	HK\$20,000,000	–	70%	Supermarket operations and trading
Guangnan Supermarket (China) Limited	Hong Kong	Ordinary	HK\$2	100%	–	Dormant
Guangnan Supermarket Development Limited	Hong Kong	Ordinary	HK\$2	100%	–	Investment holding
Guangnan Trading Development Limited	Hong Kong	Ordinary	HK\$1,000,000	100%	–	Trading
#Guangnan (Zhan Jiang) Jiafeng Feed Co., Ltd. (Established in The PRC)	The PRC	N/A	US\$5,500,000	100%	–	Manufacturing and trading of feeds
Health and Beauty Trading Limited	Hong Kong	Ordinary	HK\$4,500,000	–	100%	Dormant
Hinloon International Limited	Hong Kong	Ordinary	HK\$100,000	100%	–	Trading of processed corn food and feed products

Notes on the Accounts

(Expressed in Hong Kong dollars)

34. LIST OF SUBSIDIARIES (continued)

Name of subsidiary	Principal country /place of operations	Class of shares held	Issued and fully paid capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by		Principal activities
				the Company	subsidiary	
Jin Huang Food Industry Investment Limited (Incorporated in BVI)	Hong Kong	Ordinary	HK\$1,000,000	75%	–	Investment holding
Jin Huang Food Industry Investment Ltd.	Hong Kong	Ordinary	HK\$1,000,000	–	75%	Investment holding
Regal Prosper Limited	Hong Kong	Ordinary	HK\$100	–	100%	Dormant
Southern Chain (Hong Kong) Limited	Hong Kong	Ordinary	HK\$7,000,000	51%	–	Processing and wholesaling of poultry

* an equity joint venture established in the PRC

a wholly foreign-owned enterprise established in the PRC

35. LIST OF ASSOCIATES

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

Name of associate	Principal country /place of operations	Class of shares held	Proportion of nominal value of issued capital/ capital registered held by		Principal activities
			the Company	subsidiary	
Fordex International Limited	Hong Kong	Ordinary	25%	–	Rice wholesaling
Fruit and Vegetable Wharf (H.K.) Limited	Hong Kong	Ordinary	20%	–	Fruit and vegetable wholesaling

Notes on the Accounts

(Expressed in Hong Kong dollars)

35. LIST OF ASSOCIATES (continued)

Name of associate	Principal country /place of operations	Class of shares held	Proportion of nominal value of issued capital/ capital registered held by the Company	subsidiary	Principal activities
Tung Hing Poultry Wholesaler Limited (formerly "Hidee Trading Limited")	Hong Kong	Ordinary	40%	–	Poultry wholesaling
Hong Kong Fresh Water Fish & Aquatic Products Company Limited	Hong Kong	Ordinary	20%	–	Trading of fresh water fish and aquatic products
Kowloon Fresh Water Fish & Aquatic Products Company Limited	Hong Kong	Ordinary	16.67%	–	Trading of fresh water fish and aquatic products
*廣州市廣南 - 南大超級市場有限公司 (Established in The PRC)	The PRC	N/A	–	50%	Supermarket operations
*Yellow Dragon Food Industry Company Limited (Established in The PRC)	The PRC	N/A	40%	–	Processing and sale of corn food and feed products
*Zhongshan Baoli Food Co., Ltd. (Established in The PRC)	The PRC	N/A	30%	–	Processing of canned food

* an equity joint venture established in the PRC