

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

30 June 2001

**1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

The Company was incorporated as an exempt company with limited liability in the Cayman Islands on 18 May 2000 under the Companies Law (Revised) of the Cayman Islands. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 1 March 2001. The shares of the Company were listed on the Stock Exchange on 16 March 2001. The Group reorganisation involved companies under common control. The condensed consolidated interim financial statements for the six months ended 30 June 2001 have been prepared using the merger basis of accounting in accordance with Hong Kong Statement of Standard Accounting Practice No. 2.127 "Accounting for Group Reconstructions". Under this basis, the condensed consolidated interim financial statements for the six months ended 30 June 2001 together with the comparative figures of the corresponding period last year and the related notes thereto have also been presented in these condensed consolidated interim financial statements on the basis that the Company is treated as the holding company of its subsidiaries for the financial periods presented rather than from the subsequent date of acquisition of the subsidiaries pursuant to the Group reorganisation on 1 March 2001, or since the respective dates of their incorporation/establishment, where this is a shorter period.

The condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 2.125 "Interim Financial Reporting", except that the comparative figures of the condensed consolidated cash flow statement have not been presented as the Company has taken advantage of the transitional provisions set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The basis of presentation and accounting policies adopted in these condensed consolidated interim financial statements are consistent with those used by the Group in presenting the annual financial statements for the year ended 31 December 2000.

**2. SEGMENTAL INFORMATION**

An analysis of the Group's consolidated turnover and contribution to profit from operating activities by principal activity and geographical area for the six months ended 30 June 2001 is as follows:

	Turnover		Contribution to profit from operating activities	
	Six months ended 30 June 2001 HK\$'000	2000 HK\$'000	Six months ended 30 June 2001 HK\$'000	2000 HK\$'000
By principal activity:				
Manufacture and sale of:				
Corn refined products	376,687	403,604	73,199	68,434
Corn based biochemical products	309,378	110,280	147,575	50,178
	<b>686,065</b>	513,884	<b>220,774</b>	118,612
By geographical area:				
The People's Republic of China (the "PRC")	633,569	486,665	213,440	114,720
Other Asian countries	52,496	27,219	7,334	3,892
	<b>686,065</b>	513,884	<b>220,774</b>	118,612

**3. PROFIT FROM OPERATING ACTIVITIES**

Profit from operating activities for the period is arrived at after charging depreciation of approximately HK\$19,738,000 (2000: HK\$15,288,000) in respect of the Group's fixed assets.

**4. FINANCE COSTS**

	<b>Six months ended 30 June</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans		
wholly repayable within five years	<b>23,952</b>	16,310
Less: Interest capitalised	<b>(646)</b>	(145)
	<b>23,306</b>	16,165

**5. TAX**

	<b>Six months ended 30 June</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Current period provision:		
Hong Kong	—	—
Elsewhere	<b>10,358</b>	5,259
Tax charge for the period	<b>10,358</b>	5,259

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2000: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the period (2000: Nil).

**6. DIVIDEND**

	<b>Six months ended 30 June</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Interim dividend of HK1.5 cents (2000: Nil) per ordinary share	<b>19,200</b>	—

**7. EARNINGS PER SHARE**

The calculation of basic earnings per share for the six months ended 30 June 2001 is based on the net profit from ordinary activities attributable to shareholders for the period of approximately HK\$164,228,000 (2000: HK\$80,860,000) and the weighted average number of 1,150,939,226 (2000: 960,000,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30 June 2001 is based on the net profit from ordinary activities attributable to shareholders for the period of approximately HK\$164,228,000 (2000: HK\$80,860,000) and on 1,155,199,947 (2000: 960,000,000) ordinary shares, being the weighted average number of ordinary shares outstanding during the period adjusted for the effects of dilutive potential ordinary shares outstanding during the period.

**8. TRADE RECEIVABLES**

The Group normally allows credit terms to established customers ranging from 30 to 90 days. All trade receivables as at 30 June 2001 and 31 December 2000 were aged less than 90 days from the date of recognition of the sale. At the date of this interim report, trade receivables of approximately HK\$193,472,000 had been settled.

**9. TRADE PAYABLES**

All trade payables as at 30 June 2001 and 31 December 2000 were aged less than 90 days from the date of receipt of the goods purchased.

**10. SHARE CAPITAL**

The following is a summary of the movements in the authorised and issued share capital of the Company:

	Number of authorised shares '000	Number of issued shares '000	Nominal value of shares issued HK\$'000
Shares allotted and issued nil paid on incorporation	1,000	1,000	—
Increase in authorised share capital	2,999,000	—	—
Shares issued as consideration for the acquisition of the entire issued share capital of a subsidiary	—	1,000	100
Application of capital reserve to pay up nil paid shares	—	—	100
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of the new shares to the public	—	958,000	—
Pro forma share capital as at 31 December 2000	3,000,000	960,000	200
Capitalisation of the share premium account as set out above	—	—	95,800
New issue on public listing	—	320,000	32,000
Share capital as at 30 June 2001	<u>3,000,000</u>	<u>1,280,000</u>	<u>128,000</u>

**11. RESERVES**

	Share premium HK\$'000	Contributed surplus HK\$'000	Fixed asset revaluation reserve HK\$'000	Statutory reserve fund HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>Group</b>						
At 1 January 2001	—	1	6,151	5,656	355,029	366,837
Issue of shares	294,400	—	—	—	—	294,400
Capitalisation issue	(95,800)	—	—	—	—	(95,800)
Share issue expenses	(47,999)	—	—	—	—	(47,999)
Net profit for the period	—	—	—	—	164,228	164,228
At 30 June 2001	<u>150,601</u>	<u>1</u>	<u>6,151</u>	<u>5,656</u>	<u>519,257</u>	<u>681,666</u>

12. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Sale of goods to Lucky Summit Development Limited ("Lucky Summit")	—	22,039
Purchases of raw materials from Jilin Province Jiliang Shuang Lung Cereal Warehouse ("Jilin Warehouse")	3,252	4,782
Purchases of machinery from Lucky Summit	—	6,731

Mr. Liu Xiaoming and Mr. Kong Zhanpeng, the Directors, are the directors and shareholders of Lucky Summit.

Jilin Province Jiliang Cereal Group Co. Ltd., a minority shareholder with a 15% interest in a subsidiary of the Company, is the holding company of Jilin Warehouse.

In the opinion of the Directors, the sale of goods to Lucky Summit and purchases of raw materials from Jilin Warehouse were carried out in the ordinary course of business of the Group and were effected on prices and terms similar to other customers and suppliers, respectively. The purchases of machinery represented the actual costs incurred by Lucky Summit.

13. COMMITMENTS

At 30 June 2001, the Group had the following outstanding commitments:

	30 June	31 December
	2001	2000
	HK\$'000	HK\$'000
(a) Contracted capital commitments in respect of leasehold land and buildings	<u>26,784</u>	<u>8,527</u>
(b) Future aggregate lease payments under non-cancellable operating leases in respect of:		
Leasehold land and building expiring:		
Within one year	378	755
In the second to fifth years, inclusive	—	248
Plant and machinery expiring:		
Within one year	<u>140</u>	<u>280</u>
	<u>518</u>	<u>1,283</u>

### 14. POST BALANCE SHEET EVENT

Subsequent to 30 June 2001, on 8 August 2001, the Company and Cargill, Incorporated ("Cargill") entered into a master joint venture structure agreement (the "Agreement"). Pursuant to the Agreement, the Company and Cargill have conditionally agreed to incorporate a joint venture company (the "JVC") in Hong Kong as their joint venture investment vehicle and will cause the JVC to establish a subsidiary of the JVC (the "JVC Subsidiary") in Shanghai, the PRC as a wholly foreign-owned enterprise with limited liability to build and operate a refinery for the production of high fructose corn syrup and other products. The JVC shall be equally owned as to 50% by the Company and 50% by Cargill. At the date of this interim report, the capital commitments of the JVC and the JVC Subsidiary have not yet been ascertained. In the event that the capital commitments so finalised between the parties constitute a notifiable transaction of the Company under the Listing Rules, an appropriate announcement will be made.