

## NOTES TO INTERIM FINANCIAL REPORT

### 1. SIGNIFICANT ACCOUNTING POLICIES

This interim financial report has been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting", issued by the Hong Kong Society of Accountants ("HKSA") except that the comparative amounts for the Condensed Consolidated Cash Flow Statement have not been prepared as the Company has taken advantage of the transitional provisions set out in the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies and basis of preparation adopted in the preparation of this interim financial report are consistent with those used in the Group's annual financial statements for the year ended 31 December 2000.

Comparative amounts in respect of the Condensed Consolidated Balance Sheet for the year ended 31 December 2000 are extracted from the Group's annual financial statements for that year.

#### Trademarks

In accordance with the requirements of SSAP 29 "Intangible Assets", the cost of the Group's trademarks should be amortised over the best estimate of their useful lives. SSAP 29 also states that there is a rebuttable presumption that the useful life of an intangible asset will not exceed twenty years from the date when the asset is available for use. In the opinion of the directors, to follow the requirements of SSAP 29 would give a misleading view of the results of the Group and its earnings per share for the following reasons:

- (i) The trademarks, which were acquired by the Group in 1988, have been in use for a very long time, some of them since the 1930s and will continue to be used for the long term. The valuation of the Group's trademarks performed by Sallmanns (Far East) Limited, an independent professional appraiser, has confirmed that the market value of the trademarks exceeded the carrying value as at 30 June 2001, and
- (ii) The Group has incurred and intends to continue to incur significant advertising and promotion expenses, which are charged to profit and loss account when incurred, to maintain and increase the market value of its trademarks and brands.

As a result, the Group has decided not to follow the requirements of SSAP 29 and to continue to adopt the accounting policy that trademarks are stated at cost and provision is made for any impairment in value. The Group intends to confirm the value of its trademarks by independent professional valuation periodically.

## 2. SEGMENTED INFORMATION

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical location is as follows:

	Unaudited Turnover Six months ended 30 June		Unaudited Contribution Six months ended 30 June	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By activity:				
Edible oils and food related products*	<b>302,923</b>	474,354	<b>20,948</b>	36,711
By geographical area:				
Mainland China	<b>272,924</b>	423,662	<b>12,831</b>	16,417
Hong Kong Special Administrative Region and others	<b>29,999</b>	50,692	<b>8,117</b>	20,294
	<b>302,923</b>	474,354	<b>20,948</b>	36,711

\* Included rental income and other revenue which are considered incidental to the edible oils activity of the Group.

## 3. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after crediting:

	Unaudited Six months ended 30 June	
	2001 HK\$'000	2000 HK\$'000
Unrealised holding gain on investments in listed securities classified as other revenue	–	14,624
And after charging:		
Cost of stocks sold (including write-back of accounts payable provision of HK\$10 million (2000: Nil))	<b>206,489</b>	<b>372,770</b>

#### 4. FINANCE COSTS, NET

	Unaudited	
	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Interest on bank borrowings	15,568	22,741
Interest on other loans wholly repayable within five years	80	80
Total finance costs	15,648	22,821
Less: interest income	(2,209)	(6,552)
	<u>13,439</u>	<u>16,269</u>

#### 5. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Overseas taxes have been provided for at the applicable tax rates, if required.

	Unaudited	
	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Tax in the profit and loss account represents:		
Provision for Hong Kong profits tax	(1,396)	(1,153)
Overseas taxes	(313)	–
	<u>(1,709)</u>	<u>(1,153)</u>
Share of tax charges of a jointly controlled entity – Hong Kong	(239)	(195)
	<u>(1,948)</u>	<u>(1,348)</u>

#### 6. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the period (2000: Nil).

## 7. EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share is calculated based on the profit attributable to shareholders of HK\$7,034,000 (2000: HK\$20,181,000) and 409,113,021 shares (2000: 409,113,021 shares) in issue during the period.

### (b) Diluted earnings per share

Diluted earnings per share is based on the profit attributable to shareholders of HK\$7,034,000 and the weighted average of 416,680,943 shares adjusted for the effects of all dilutive potential shares. Diluted earnings per share for the prior period is not presented as there were no dilutive potential ordinary shares for that period.

## 8. ACCOUNTS RECEIVABLE

The aged analysis of accounts receivable is as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2001</b> <b>HK\$'000</b>	Audited 31 December 2000 <i>HK\$'000</i>
Current	<b>45,777</b>	69,589
Less than 60 days	<b>23,001</b>	39,709
Over 60 days	<b>17,805</b>	17,294
	<hr/> <b>86,583</b> <hr/>	<hr/> 126,592 <hr/>

The Group's products are sold either on cash on delivery basis or on open account basis ranging from 30 to 50 days of credit. Each customer has a maximum credit limit. Overdue balances are regularly reviewed by senior management.

## 9. ACCOUNTS PAYABLE

The aged analysis of accounts payable is as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2001</b> <b>HK\$'000</b>	Audited 31 December 2000 <i>HK\$'000</i>
Current and less than 60 days	<b>16,699</b>	23,917
Over 60 days	<b>10,539</b>	32,331
	<hr/> <b>27,238</b> <hr/>	<hr/> 56,248 <hr/>

## 10. RESERVES

The movement in the current period represents the net profit attributable to shareholders for the period.

## 11. COMMITMENTS

	<b>Unaudited 30 June 2001 HK\$'000</b>	Audited 31 December 2000 HK\$'000
Capital commitments for the acquisition of property, plant and equipment:		
Contracted for	<b>3,980</b>	3,704
Authorised, but not contracted for	<b>2,776</b>	3,057
	<b><u>          </u></b>	<b><u>          </u></b>

## 12. CONTINGENT LIABILITIES

- (a) At 30 June 2001, 38 (31 December 2000: 49) employees had completed the required number of years of service under the Employment Ordinance to be eligible for long service payments on termination of their employment and the contingent liabilities thereof amounted to approximately HK\$1,060,000 (31 December 2000: HK\$1,148,000). No provision has been made for this amount in this interim financial report as the probability of an outflow of resources thereof is considered remote.
- (b) At 30 June 2001, the contingent liabilities in respect of guarantees given to banks to secure banking facilities utilised by the jointly controlled entity (the "JCE") of the Group amounted to HK\$9,279,000 (31 December 2000: HK\$16,529,000).

### 13. RELATED PARTY TRANSACTIONS

	Notes	Unaudited	
		Six months ended 30 June	
		2001	2000
		HK\$'000	HK\$'000
Transactions with the JCE:			
Sales of goods	a	25,306	30,553
Purchases of goods/services	b	1,049	4,038
Oil refining income	c	6,413	7,046
Royalty income	d	11,536	12,006
Property rental and tank farm income	e	6,276	7,224
Other property related income	f	2,087	2,127
Transactions with the controlling shareholders of the Company			
Sales of goods	a	430	315
Management fee expenses paid to a company in which a director of the Company has an indirect interest			
	g	270	270

*Notes:*

- a. The sales of goods were at prices comparable to those offered to other unrelated customers of the Group.
- b. The purchases of goods/services were at prices comparable to those offered by other unrelated suppliers/providers.
- c. The oil refining income was charged at rates comparable to those offered to other unrelated customers of the Group.
- d. Pursuant to a trademark licence agreement entered into between the Group and the JCE, the royalties received for the use of the trademarks are calculated based on a percentage as agreed between the parties from time to time, of the gross sales value of licensed products sold by the JCE within Hong Kong and Macau.
- e. The property rental income related to the investment property and barges included in fixed assets. The property rental income and tank farm income were charged by reference to the relevant industry practice and was subject to review on a regular basis.
- f. The other property related income included air-conditioning charges and property management fee and were charged based on the cost incurred in managing the properties and providing air-conditioning services.
- g. The management fee expenses represented the payment of remuneration to a director of the Company through a company in which he has an indirect interest therein.

### 14. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current period's presentation.