

Notes to Condensed Consolidated Financial Statements

30 June 2002

1. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the Period of the Group have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 2.125 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The comparative unaudited condensed combined interim financial statements have been prepared using the merger basis of accounting in accordance with SSAP 2.127 "Accounting for group reconstructions" as a result of the Group reorganisation completed on 1 March 2001. Under this basis, the Company has been treated as the holding company of its subsidiaries for the financial period presented, rather than from the date of its acquisition of subsidiaries. Accordingly, the comparative unaudited condensed combined results of the Group include the results of the Company and its subsidiaries with effect from 1 January 2001 or since their respective dates of incorporation or establishment, where this is a shorter period.

The accounting policies and basis of preparation adopted in these unaudited condensed consolidated interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2001, except for the adoption of the following revised and new SSAPs which are effective for the first time for the Period:

SSAP 2.101 (Revised)	:	Presentation of financial statements
SSAP 2.111 (Revised)	:	Foreign currency translation
SSAP 2.115 (Revised)	:	Cash flow statements
SSAP 2.125 (Revised)	:	Interim financial reporting
SSAP 2.133	:	Discontinuing operations
SSAP 2.134	:	Employee benefits

SSAP 2.101 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the Period and the comparative figures have been presented in accordance with this revised SSAP.

SSAP 2.111 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of this revised SSAP on the condensed consolidated financial statements is that the profit and loss account of subsidiaries and associates operating in the PRC and overseas are translated at an average rate for the period on consolidation, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. This SSAP is required to be applied retrospectively. The Group has adopted the transitional provision of this SSAP that where the

Notes to Condensed Consolidated Financial Statements

30 June 2002

calculation of a prior year adjustment is impractical, these changes in policy are applied only to current and future financial statements and the effect on the results of the Period is not significant.

SSAP 2.115 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of cash flow statement which classifies cash flows during the Period into operating, investing and financing activities. The condensed consolidated cash flow statements for the Period and the comparative figures have been presented in accordance with this revised SSAP.

SSAP 2.125 (Revised) prescribes the presentation and disclosures following changes in SSAP 2.101 (Revised) and SSAP 2.115 (Revised). The condensed consolidated financial statements for the Period and comparative figures have been presented in accordance with these revised SSAPs.

SSAP 2.133 prescribes the basis for reporting information about discontinuing/discontinued operations. This SSAP has had no major impact on the condensed consolidated financial statements.

SSAP 2.134 prescribes the accounting treatment and disclosures for employee benefits. This SSAP has had no major impact on the condensed consolidated financial statements.

2. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the Period. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

3. SEGMENT INFORMATION

Segment information is presented by way of segment formats:

- (i) on a primary segment reporting basis, by business segment; and
- (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products they provided. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of other business segments.

Notes to Condensed Consolidated Financial Statements

30 June 2002

(a) Business segments

	Corn refined products		Corn based biochemical products		Eliminations		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	323,869	376,687	362,403	309,378	—	—	686,272	686,065
Intersegment sales	127,000	117,308	—	—	(127,000)	(117,308)	—	—
Total revenue	450,869	493,995	362,403	309,378	(127,000)	(117,308)	686,272	686,065
Segment results	85,717	94,471	139,800	124,195	—	1,835	225,517	220,501
Unallocated revenue							3,023	3,894
Unallocated expenses							(9,355)	(3,621)
Profit from operating activities							219,185	220,774
Finance costs							(4,862)	(23,306)
Profit before tax							214,323	197,468
Tax							(17,196)	(10,358)
Profit before minority interests							197,127	187,110
Minority interests							(23,319)	(22,882)
Net profit from ordinary activities attributable to shareholders							173,808	164,228

(b) Geographical segments

Over 90% of the Group's revenue and results were derived from customers based in the PRC.

Notes to Condensed Consolidated Financial Statements

30 June 2002

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Cost of inventories sold	409,966	412,977
Depreciation	26,958	19,738
Share of profit of a jointly-controlled entity	(5)	—
Interest income	(3,018)	(3,894)

5. FINANCE COSTS

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Interest on bank loans:		
Wholly repayable within five years	8,362	23,952
Repayable beyond five years	761	—
Interest on trust receipt loans, wholly repayable within five years	271	—
	9,394	23,952
Less: Interest capitalised	(4,532)	(646)
	4,862	23,306

Notes to Condensed Consolidated Financial Statements

30 June 2002

6. TAX

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Current period provision:		
Hong Kong	917	—
Elsewhere	16,279	10,358
Tax charge for the Period	17,196	10,358

Hong Kong profits tax had been provided at the rate of 16% (2001 : Nil) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for deferred tax had been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the Period (2001 : Nil).

7. DIVIDENDS

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Proposed interim dividend of HK1.5 cents (2001 : HK1.25 cents as adjusted for the bonus issue of shares on 23 April 2002) per ordinary share	28,892	19,200

The Directors propose the payment of an interim dividend of HK1.5 cents (2001 : HK1.25 cents as adjusted for the bonus issue of shares on 23 April 2002) per ordinary share in respect of the Period to shareholders on the register of members on 2 October 2002.

The prior period's number of shares in issue for the calculation of interim dividend has been adjusted for one bonus ordinary share for every five ordinary shares of HK\$0.10 each in the issued share capital of the Company held by the shareholders whose names appear on the register of members of the Company on 23 April 2002.

Notes to Condensed Consolidated Financial Statements

30 June 2002

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the Period is based on the net profit from ordinary activities attributable to shareholders for the Period of approximately HK\$173,808,000 (2001: HK\$164,228,000) and the weighted average number of 1,880,645,515 (2001: 1,381,127,071 (restated)) ordinary shares in issue during the Period, as adjusted to reflect the bonus issue during the Period, with one bonus ordinary share for every five ordinary shares of HK\$0.10 each in the issued share capital of the Company held by the shareholders whose names appear on the register of members of the Company on 23 April 2002.

The calculation of diluted earnings per share for the Period is based on the net profit from ordinary activities attributable to shareholders for the Period of approximately HK\$173,808,000 (2001: HK\$164,228,000) and on 1,998,966,904 (2001: 1,386,234,763 (restated)) ordinary shares, assumed to have been issued at no consideration, adjusted for the bonus issue, with one bonus ordinary share for every five ordinary shares of HK\$0.10 each in the issued share capital of the Company held by the shareholders whose names appear on the register of members of the Company on 23 April 2002, and on the deemed exercise of all share options during the Period.

9. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 90 days.

An aging analysis of the trade receivables as at the balance sheet date, based on the date of recognition of the sale, is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
1 – 30 days	133,225	150,055
31 – 60 days	108,010	94,925
61 – 90 days	22,632	13,463
	263,867	258,443

Notes to Condensed Consolidated Financial Statements

30 June 2002

10. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers.

An aging analysis of the trade payables as at the balance sheet date, based on the receipt of goods purchased, is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
1 – 30 days	42,778	36,112
31 – 60 days	11,999	9,675
61 – 90 days	2,945	153
	57,722	45,940

11. ISSUED CAPITAL

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

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Authorised:		
10,000,000,000 (31 December 2001 : 3,000,000,000) ordinary shares of HK\$0.10 each	1,000,000	300,000
Issued and fully paid:		
1,926,105,600 (31 December 2001 : 1,543,296,000) ordinary shares of HK\$0.10 each	192,611	154,330

	Number of issued shares '000	Par value HK\$'000
Issued share capital as at 1 January 2002 (Audited)	1,543,296	154,330
Bonus issue of shares	316,487	31,649
Exercise of share options	66,323	6,632
Share capital as at 30 June 2002 (Unaudited)	1,926,106	192,611

Notes to Condensed Consolidated Financial Statements

30 June 2002

12. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Purchases of raw materials from Jilin Province Jiliang Shuang Lung Cereal Warehouse ("Jilin Warehouse")	—	3,252

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 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 suppliers.

13. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the balance sheet date.

At 30 June 2002, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK\$169,389,000 (31 December 2001: HK\$33,150,000).

14. OPERATING LEASE ARRANGEMENTS

The Group leases certain leasehold land and buildings under operating lease arrangements. The original lease terms for these leasehold land and buildings ranges from 1 to 50 years.

At 30 June 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Within one year	662	489
In the second to fifth years, inclusive	1,653	965
After five years	9,485	9,379
	11,800	10,833

Notes to Condensed Consolidated Financial Statements

30 June 2002

15. COMMITMENTS

In addition to the operating lease commitments detailed in note 14 above, the Group had capital commitments as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Leasehold buildings, contracted for	43,558	128,830
Plant and machinery, contracted for	49,575	115,352
	93,133	244,182

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the Period's presentation.