

CONDENSED INTERIM ACCOUNTS

The board of directors (the "Directors") of Top Glory International Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2002 together with the comparative figures for the six months ended 30 June 2001. These interim results have been reviewed by the Company's Audit Committee.

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30 JUNE 2002**

| | Notes | For the six months ended 30 June 2002 HK\$'000 (Unaudited) | For the six months ended 30 June 2001 HK\$'000 (Unaudited) |
|--|-------|---|--|
| TURNOVER | 2 | 217,519 | 858,930 |
| Cost of sales | | (139,539) | (774,542) |
| Gross profit | | 77,980 | 84,388 |
| Other revenue | | 4,931 | 57,239 |
| Selling and distribution costs | | (1,075) | (7,632) |
| Administrative expenses | | (44,653) | (54,357) |
| Other operating expenses | | (8,658) | (94,682) |
| Loss on deemed disposal of a listed subsidiary | | - | (160,169) |
| Impairment of investments in jointly controlled entities | | - | (211,659) |
| Impairment of properties under development | | - | (283,091) |
| PROFIT/(LOSS) FROM OPERATING ACTIVITIES | 3 | 28,525 | (669,963) |
| Finance costs | 4 | (13,462) | (33,591) |
| Share of profits of associates | | 54,242 | 35,496 |
| Share of loss of jointly controlled entities | | (581) | (5,175) |
| PROFIT/(LOSS) BEFORE TAX | | 68,724 | (673,233) |
| Tax | 5 | (20,407) | (10,183) |
| PROFIT/(LOSS) BEFORE MINORITY INTERESTS | | 48,317 | (683,416) |
| Minority interests | | (417) | (5,496) |
| NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS | | 47,900 | (688,912) |
| INTERIM DIVIDEND | | NIL | NIL |
| EARNINGS/(LOSS) PER SHARE | 6 | | |
| Basic | | 1.8 HK cents | (25.7) HK cents |
| Diluted | | N/A | N/A |

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2002 AND 31 DECEMBER 2001**

| | Notes | 30 June 2002 HK\$'000 (Unaudited) | 31 December 2001 HK\$'000 (Audited) |
|---|-------|--|--|
| NON-CURRENT ASSETS | | | |
| Fixed assets | | 3,435,557 | 3,447,171 |
| Properties under development | | 907,808 | 953,932 |
| Interests in associates | | 886,521 | 864,905 |
| Interests in jointly controlled entities | | 350,718 | 382,573 |
| | | <u>5,580,604</u> | <u>5,648,581</u> |
| CURRENT ASSETS | | | |
| Inventories | | 14,304 | 15,085 |
| Properties held for sale | | 213,712 | 148,409 |
| Other investments | | 1,138 | 1,138 |
| Trade receivables, prepayments and other debtors | 7 | 138,023 | 76,208 |
| Due from fellow subsidiaries | | 9,738 | 7,960 |
| Cash and cash equivalents | | 241,066 | 256,240 |
| | | <u>617,981</u> | <u>505,040</u> |
| CURRENT LIABILITIES | | | |
| Trade payables, accruals and other liabilities | 8 | 191,220 | 203,778 |
| Due to related companies | | 1,369 | 1,369 |
| Due to holding companies | | 48,953 | 48,928 |
| Due to fellow subsidiaries | | 42,422 | 21,585 |
| Tax payable | | 117,056 | 111,244 |
| Bank loans | | 423,586 | 441,714 |
| | | <u>824,606</u> | <u>828,618</u> |
| NET CURRENT LIABILITIES | | (206,625) | (323,578) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 5,373,979 | 5,325,003 |
| NON-CURRENT LIABILITIES | | | |
| Bank loans | | 529,387 | 529,387 |
| Deferred tax | | 190 | 190 |
| | | <u>529,577</u> | <u>529,577</u> |
| MINORITY INTERESTS | | 129,118 | 128,042 |
| | | <u>4,715,284</u> | <u>4,667,384</u> |
| CAPITAL AND RESERVES | | | |
| Issued capital | 9 | 267,514 | 267,514 |
| Reserves | | 4,447,770 | 4,399,870 |
| | | <u>4,715,284</u> | <u>4,667,384</u> |

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2002

| | Share capital | Special capital reserve | Share premium account | Capital reserve | Investment property revaluation reserve | Hotel property revaluation reserve | Other property revaluation reserve | Exchange fluctuation reserve | Legal reserve | Capital redemption reserve | Retained profits | Total |
|---|------------------|-------------------------|----------------------------|---|---|------------------------------------|------------------------------------|------------------------------|----------------------------|----------------------------|------------------|------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| At 1 January 2002 | 267,514 | 2,407,622 | 946,454 | 168,087 | 48,989 | 44,058 | - | 4,083 | 10,239 | 1,948 | 768,390 | 4,667,384 |
| Profit for the period attributable to shareholders | - | - | - | - | - | - | - | - | - | - | 47,900 | 47,900 |
| At 30 June 2002 | <u>267,514</u> | <u>2,407,622</u> | <u>946,454</u> | <u>168,087</u> | <u>48,989</u> | <u>44,058</u> | <u>-</u> | <u>4,083</u> | <u>10,239</u> | <u>1,948</u> | <u>816,290</u> | <u>4,715,284</u> |
| | Share capital | Share premium account | Capital reserve/(goodwill) | Investment property revaluation reserve | Hotel property revaluation reserve | Other property revaluation reserve | Exchange fluctuation reserve | Legal reserve | Capital redemption reserve | Retained profits | Total | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | |
| At 1 January 2001 | 2,675,136 | 946,454 | (121,471) | 59,125 | 56,011 | 41,164 | 3,894 | 10,239 | 1,948 | 1,624,450 | 5,296,950 | |
| Prior year adjustment on impairment of goodwill | - | - | 167,549 | - | - | - | - | - | - | (167,549) | - | |
| Restated balance | 2,675,136 | 946,454 | 46,078 | 59,125 | 56,011 | 41,164 | 3,894 | 10,239 | 1,948 | 1,456,901 | 5,296,950 | |
| Deficit on revaluation on hotel properties | - | - | - | - | (4,931) | - | - | - | - | - | (4,931) | |
| Realisation of reserve upon deemed disposal of a subsidiary | - | - | 48,161 | - | - | - | - | - | - | - | 48,161 | |
| Net gain and loss not recognised in the profit and loss account | - | - | 48,161 | - | (4,931) | - | - | - | - | - | 43,230 | |
| Release of retained earnings upon deemed disposal of a subsidiary | - | - | 32,396 | - | - | - | - | - | - | (32,396) | - | |
| Loss for the period attributable to shareholders | - | - | - | - | - | - | - | - | - | (688,912) | (688,912) | |
| At 30 June 2001 | <u>2,675,136</u> | <u>946,454</u> | <u>126,635</u> | <u>59,125</u> | <u>51,080</u> | <u>41,164</u> | <u>3,894</u> | <u>10,239</u> | <u>1,948</u> | <u>735,593</u> | <u>4,651,268</u> | |

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2002**

| | For the six months ended 30 June 2002 HK\$'000 (Unaudited) | For the six months ended 30 June 2001 HK\$'000 (Unaudited) |
|--|---|--|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 10,310 | 49,995 |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | (36,986) | (920,145) |
| NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES | (26,676) | (870,150) |
| NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES | 11,502 | (72,286) |
| DECREASE IN CASH AND CASH EQUIVALENTS | (15,174) | (942,436) |
| Cash and cash equivalents at beginning of period | 256,240 | 1,077,720 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 241,066 | 135,284 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 186,738 | 86,524 |
| Time deposits | 54,328 | 48,760 |
| | 241,066 | 135,284 |

NOTES TO CONDENSED INTERIM ACCOUNTS

1. ACCOUNTING POLICIES

The unaudited condensed consolidated interim accounts (the "Interim Accounts") of the Group are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and basis of preparation used in the preparation of the Interim Accounts are the same as those used in the annual financial statements for the year ended 31 December 2001, except the following new/revised SSAPs have been adopted for the first time in the preparation of the current period's condensed consolidated financial statements:

- SSAP 1 (Revised): "Presentation of Financial Statements"
- SSAP 11 (Revised): "Foreign Currency Translation"
- SSAP 15 (Revised): "Cash Flow Statements"
- SSAP 33: "Discontinuing Operations"
- SSAP 34: "Employee Benefits"

A summary of their major effects is as follows:

SSAP 1 (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 current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 11 (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 Mainland China 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 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 current period is not significant.

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 33 prescribes the basis for reporting information about discontinuing/discontinued operations. This SSAP has had no major impact on the Interim Accounts.

SSAP 34 prescribes the accounting treatment and disclosures for employee benefits. This SSAP has had no major impact on the Interim Accounts.

2. SEGMENT INFORMATION

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

- (a) the foods and food processing segment engages in food processing and related businesses including edible oils refining, wine-making and beverage, food trading and flour milling;
- (b) the hotel operations segment engages in hotel room rental and other ancillary services including foods and beverage;
- (c) the property investments and development segment engages in property development and sales and letting of properties; and
- (d) the corporate and others segment comprises the Group's management service business together with corporate income and expense items.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

| | For the six months ended 30 June | | | | | | | | | | | |
|---|----------------------------------|----------------|------------------|----------------|---|---------------|----------------------|---------------|----------------|----------------|----------------|----------------|
| | Foods and food processing | | Hotel operations | | Property investments and development | | Corporate and others | | Eliminations | | Consolidated | |
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Segment revenue: | | | | | | | | | | | | |
| Sales to external customers | - | 677,357 | 95,187 | 107,376 | 115,242 | 70,187 | 7,090 | 4,010 | - | - | 217,519 | 858,930 |
| Intersegment sales | - | - | - | - | 643 | 520 | 3,389 | 3,603 | (4,032) | (4,123) | - | - |
| Other revenue | - | 16,517 | - | - | 297 | 11,192 | 583 | 3,722 | - | - | 880 | 31,431 |
| Total | - | 693,874 | 95,187 | 107,376 | 116,182 | 81,899 | 11,062 | 11,335 | (4,032) | (4,123) | 218,399 | 890,361 |
| Segment results | - | 17,349 | 19,707 | (31,422) | 4,812 | (494,161) | 3,236 | (180,991) | - | - | 27,755 | (689,225) |
| Interest and dividend income and unallocated gains | | | | | | | | | | | 4,051 | 25,808 |
| Unallocated expenses | | | | | | | | | | | (3,281) | (6,546) |
| Profit/(loss) from operating activities | | | | | | | | | | | 28,525 | (669,963) |
| Finance costs | | | | | | | | | | | (13,462) | (33,591) |
| | | | | | | | | | | | 15,063 | (703,554) |
| Share of profits and losses of: | | | | | | | | | | | | |
| Jointly-controlled entities | - | - | - | - | (581) | (5,175) | - | - | - | - | (581) | (5,175) |
| Associates | 48,629 | 28,618 | 5,613 | 6,878 | - | - | - | - | - | - | 54,242 | 35,496 |
| Profit/(loss) before tax | | | | | | | | | | | 68,724 | (673,233) |
| Tax | | | | | | | | | | | (20,407) | (10,183) |
| Profit/(loss) before minority interests | | | | | | | | | | | 48,317 | (683,416) |
| Minority interests | | | | | | | | | | | (417) | (5,496) |
| Net profit/(loss) from ordinary activities attributable to shareholders | | | | | | | | | | | 47,900 | (688,912) |

(b) Geographical segments

| | For the six months ended 30 June | | | | | | | |
|-----------------------------|----------------------------------|-------------|----------------------|-------------|----------------------|-------------|----------------|-------------|
| | Hong Kong | | Elsewhere in the PRC | | Corporate and others | | Consolidated | |
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Segment revenue: | | | | | | | | |
| Sales to external customers | <u>27,277</u> | 519,583 | <u>190,242</u> | 339,347 | - | - | <u>217,519</u> | 858,930 |
| Segment results | <u>9,794</u> | (181,492) | <u>18,112</u> | (507,608) | (151) | (125) | <u>27,755</u> | (689,225) |

3. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

| | For the six months ended 30 June 2002 HK\$'000 (Unaudited) | For the six months ended 30 June 2001 HK\$'000 (Unaudited) |
|---------------------------------|--|--|
| Cost of properties sold | 64,291 | 18,629 |
| Cost of hotel services provided | 75,248 | 76,406 |
| Cost of inventories sold | - | 679,507 |
| Depreciation | 19,528 | 20,224 |
| Interest income | <u>(1,658)</u> | <u>(25,808)</u> |

4. FINANCE COSTS

| | For the six months ended 30 June 2002 HK\$'000 (Unaudited) | For the six months ended 30 June 2001 HK\$'000 (Unaudited) |
|--|--|--|
| Interest on: | | |
| Bank loans wholly repayable within five years | 13,462 | 31,072 |
| Amounts due to fellow subsidiaries | - | 2,143 |
| Loan from a minority shareholder of a subsidiary | - | 376 |
| Total finance costs charged for the period | <u>13,462</u> | <u>33,591</u> |

5. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable outside Hong Kong have 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.

| | For the six months ended 30 June 2002 HK\$'000 (Unaudited) | For the six months ended 30 June 2001 HK\$'000 (Unaudited) |
|--|---|--|
| The charge comprises: | | |
| The Group: | | |
| Hong Kong | 1,769 | 1,880 |
| Outside Hong Kong | <u>7,130</u> | <u>3,143</u> |
| | 8,899 | 5,023 |
| Share of tax attributable to associates | 11,385 | 5,424 |
| Share of tax attributable to jointly controlled entities | <u>123</u> | <u>(264)</u> |
| | 20,407 | 10,183 |

6. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the profit attributable to shareholders for the period of HK\$47,900,000, (2001: loss HK\$688,912,000) and 2,675,136,092 (2001: 2,675,136,092) ordinary shares in issue during the period.

Diluted earnings/(loss) per share amount for the periods ended 30 June 2001 and 2002 have not been disclosed as no diluting event existed during these periods.

7. TRADE DEBTORS

The ageing analysis of trade debtors balance is as follows:

| | 30 June 2002 HK\$'000 (Unaudited) | The Group 31 December 2001 HK\$'000 (Audited) |
|---------------------------------|--|--|
| Outstanding balances with ages: | | |
| Within 6 months | 56,415 | 16,052 |
| Between 7 to 12 months | 2,741 | 1,344 |
| Between 1 to 2 years | 9,955 | 9,656 |
| Over 2 years | 9,475 | 9,069 |
| | <hr/> | <hr/> |
| | 78,586 | 36,121 |
| Prepayment and other debtors | 59,437 | 40,087 |
| | <hr/> | <hr/> |
| | 138,023 | 76,208 |

8. ACCOUNTS PAYABLE

The ageing analysis of accounts payable balance is as follows:

| | 30 June 2002 HK\$'000 (Unaudited) | The Group 31 December 2001 HK\$'000 (Audited) |
|---------------------------------|--|--|
| Outstanding balances with ages: | | |
| Within 6 months | 20,909 | 30,280 |
| Between 7 to 12 months | 17,806 | 2,592 |
| Between 1 to 2 years | 2,770 | 1,237 |
| Over 2 years | 24,738 | 35,651 |
| | <hr/> | <hr/> |
| | 66,223 | 69,760 |
| Accrual and other liabilities | 124,997 | 134,018 |
| | <hr/> | <hr/> |
| | 191,220 | 203,778 |

9. SHARE CAPITAL

| | 30 June 2002 HK\$'000 (Unaudited) | 31 December 2001 HK\$'000 (Audited) |
|--|--|--|
| Ordinary shares | | |
| <i>Authorised:</i> | | |
| 50,000,000,000 (2001: 50,000,000,000) ordinary shares of HK\$0.10 each | <u>5,000,000</u> | <u>5,000,000</u> |
| <i>Issued and fully paid:</i> | | |
| 2,675,136,092 (2001: 2,675,136,092) ordinary shares of HK\$0.10 each | <u>267,514</u> | <u>267,514</u> |

There were no changes in the authorised ordinary share capital of the Company during the period.

10. COMMITMENTS

| | 30 June 2002 HK\$'000 (Unaudited) | The Group 31 December 2001 HK\$'000 (Audited) |
|---|--|--|
| Capital commitments contracted for in respect of property and plant | <u>49,790</u> | <u>150,917</u> |

11. RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with related parties during the period:

| | For the six months ended 30 June 2002 HK\$'000 (Unaudited) | For the six months ended 30 June 2001 HK\$'000 (Unaudited) |
|--|---|---|
| Transactions with fellow subsidiaries: | | |
| Rental income (i) | 2,555 | 2,872 |
| Hotel management fee expense (ii) | 3,615 | 3,826 |
| Building management fee (i) | 952 | 1,248 |
| Purchase of goods and raw materials (i) | - | 60,121 |
| Freight charges paid (i) | - | 5,431 |
| Transactions with the ultimate holding company | | |
| Sale of goods (i) | <u>-</u> | <u>105,489</u> |

Notes:

- (i) These transactions were carried out at market price or, where no market price were available, at cost plus a percentage of the profit mark-up.
- (ii) The hotel management fee was charged at certain percentages of the gross operating profit and turnover of the relevant companies.
- (iii) In addition to the above, China National Cereals, Oils & Foodstuffs Import & Export Corporation, the ultimate holding company of the Group, granted a guarantee in favour of a bank in Mainland China for banking facilities granted to non wholly-owned subsidiaries of the Group at nil consideration. The outstanding bank loans amounted to approximately HK\$186,916,000 at the balance sheet date.

12. SUBSEQUENT EVENTS

The Company announced the following transactions on 25 July 2002:

- (a) The Company entered into a conditional sale and purchase agreement with its parent company, COFCO (Hong Kong) Limited ("COFCO (HK)"), whereby the Company agreed to purchase from COFCO (HK) the entire issued share capital of and shareholder's loan in Junwell Investments Limited for an aggregate consideration of HK\$165,200,000 to be settled in cash on completion.
- (b) The Company proposed to issue by way of rights, 668,784,023 rights shares on the basis of one rights share for every four existing shares held at HK\$0.35 each to raise an amount of about HK\$232,500,000 after expenses. COFCO (HK) has undertaken to the Company that it will, and procure its wholly owned subsidiaries, to take up their entitlements in full, amounting to 337,831,759 rights shares.
- (c) The Company entered into an underwriting agreement with COFCO (HK) whereby COFCO (HK) agreed to underwrite all the rights shares other than those to be issued to COFCO (HK) and its wholly owned subsidiaries pursuant to its undertaking mentioned in (b) above.

13. APPROVAL OF THE INTERIM ACCOUNTS

The Interim Accounts were approved and authorised for issue by the board of Directors on 28 August 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results

During the period under review, the consolidated turnover of the Group amounted to HK\$217,519,000, representing a decrease of 75% compared to the corresponding period last year. This was mainly attributable to the dilution of the Group's equity interests in COFCO International Limited ("COFCO International") from approximately 51.13% in the corresponding period last year to approximately 21.52% in the period under review. As such, the turnover of COFCO International had not been consolidated into the total turnover of the Group in the period.

Save for the above factors, the consolidated turnover of the Group's property investments and development as well as hotel investments businesses had increased by approximately 20% when compared to the corresponding period last year. During the period under review, profits attributable to shareholders amounted to HK\$47,900,000.

Business Review

Property Development and Investments

The Group's major investment property in Hong Kong, namely Top Glory Tower, is located in Causeway Bay. During the period under review, the rental of this office building was maintained at market level with an average occupancy rate at over 90%. Similarly, the occupancy rate of the rental apartments in Beijing Capital Paradise, was also maintained at over 70% and continued to contribute a stable rental income to the Group.

During the period under review, the Group continued to consolidate its property development projects located in various major cities encompassing Beijing, Shanghai and Shenyang. In this regard, the preliminary construction works of the residential projects, namely Shanghai Pudong Gloria Harbour View in Lujiazui Financial District, Pudong, Shanghai and Top Glory Square located at Shenyang, had already commenced.

Hotel Investments

During the period under review, the hotel industry in Mainland China as a whole remained highly competitive. Against this background, the Group's Gloria Hotel chain also faced great challenges. By strengthening the management and upgrading operation efficiency, the hotel business was able to remain stable on the whole.

Foodstuffs & Edible Oils Processing and Manufacturing

The Group is engaged in foodstuffs and edible oils processing and manufacturing businesses through its associate, COFCO International. The overall performance of COFCO International was encouraging after having completed the acquisition of edible oils, wines and spirits, trading and confectionery businesses from its parent company, COFCO (Hong Kong) Limited ("COFCO HK") last year, bringing a profit contribution of HK\$37,771,000 to the Group in the period under review.

Acquisition

On 25 July, 2002, the Group entered into a sale and purchase agreement with COFCO HK, pursuant to which the Group agreed to acquire the entire interest in Junwell Investments Limited ("Junwell") at a consideration of HK\$165,200,000 to be settled in cash on completion.

Junwell is an investment holding company. Its major asset is the holding of 99% interest in the registered capital of Guangzhou Qiao Peng Estate Development Co. Ltd. which is engaged in the development of a property project known as "Guangzhou Metro Paradise". Guangzhou Metro Paradise is located at Tian He District, Guangzhou, and is a composite 30-storey building comprising 5 blocks of residential apartments atop of a 4-storey commercial podium. The total gross floor area of Guangzhou Metro Paradise is about 128,595 sq.m and construction has been completed. Guangzhou Metro Paradise comprises 505 residential units, 499 car parking spaces and 17 retail units. Up to 30 June 2002, a total of 278 residential units, 8 retail units and 45 car parking spaces have been sold.

Upon completion of such acquisition, the Group intends to continue with the existing business of Junwell and engage in the sales of Guangzhou Metro Paradise.

On 25 July 2002, the Group also announced in conjunction with the above proposed acquisition a proposal to issue, by way of rights issue, a total of 668,784,023 rights shares at a price of HK\$0.35 per share to raise approximately HK\$232,500,000. Of the HK\$232,500,000 proposed to be raised, approximately HK\$165,200,000 would be used to finance the acquisition of Junwell, with the remaining balance to be employed as general working capital.

Future Prospect

The Group will continue to focus on its core businesses of property investments and development and hotel investments. The acquisition of Junwell will enhance the Group's profitability and provide an attractive investment return. With the full support of the ultimate holding company of the Group, China National Cereals, Oils & Foodstuffs Import & Export Corporation ("COFCO"), the Group will adhere to its prudent strategy in developing medium to high class residential property projects in the major cities in the Mainland such as Beijing, Shanghai, Guangzhou and Shenzhen. The Group will also continue to monitor the market closely and will consider to replenish its land banks as and when appropriate.

LIQUIDITY AND CAPITAL STRUCTURE

As at 30 June 2002, the Group's total assets were HK\$6,198,585,000 (31 December 2001: HK\$6,153,621,000). Bank borrowings amounted to HK\$952,973,000 (31 December 2001: HK\$971,101,000) in which, HK\$423,586,000 (31 December 2001: HK\$441,714,000) was repayable within one year. Long-term loans amounted to HK\$529,387,000 (31 December 2001: 529,387,000). The Group's loans were all unsecured. The gearing ratio of the Group (total liabilities/total assets) was 22% (31 December 2001: 22%).

EMPLOYEE'S REMUNERATION POLICY

As at 30 June 2002, the Group employed a total of 2,213 (30 June 2001: 2,564) full-time staff in Mainland China and Hong Kong. The remuneration policy was annually reviewed by the management.

MOVEMENT IN THE GROUP STRUCTURE

There was no change to the Group structure during the period under review.

SHARE OPTION SCHEME

On 13 May 2002, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 2 June 1999 (the "1999 Share Option Scheme") and the adoption of a new share option scheme (the "2002 Share Option Scheme") to comply with the new requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The 2002 Share Option Scheme is designed to motivate executives and employees in the service of any member of the Group and other person(s) who may make a contribution to the Group and to enable the Group to attract and retain individuals with experience and ability and to reward individuals for future performance. There are no options outstanding or unexercised under the 1999 Share Option Scheme and no options have been granted under the 2002 Share Option Scheme during the period.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2002, the beneficial interests of the Directors or the chief executive of the Company in the shares or other securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) which had to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under section 31 of or Part I of the Schedule to the SDI Ordinance) or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Interest in associated corporation

As at 30 June 2002, the Directors had the following interests in options granted pursuant to COFCO International share option scheme to subscribe for shares in COFCO International:

| Name of Director | Number of options | Date granted | Expiry date of options | Price per share in COFCO International to be paid on exercise of option |
|------------------|-------------------|--------------|------------------------|---|
| Zhou Mingchen | 5,000,000 | 5.3.2001 | 4.3.2006 | HK\$1.368 |
| Liu Fuchun | 4,500,000 | 5.3.2001 | 4.3.2006 | HK\$1.368 |
| Xue Guoping | 5,000,000 | 5.8.1997 | 12.2.2003 | HK\$2.156 |
| | 3,000,000 | 5.3.2001 | 4.3.2006 | HK\$1.368 |

Save as disclosed above, as at 30 June 2002, none of the Directors and the chief executive of the Company had any (and was not deemed or taken under section 31 of or Part I of the Schedule to the SDI Ordinance to have any) interests in the securities of the Company or any of its associated corporations (as defined in the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange as mentioned above.

SUBSTANTIAL SHAREHOLDERS

As 30 June 2002, save for the interests of the Directors disclosed above, according to the register kept by the Company under section 16 of the SDI Ordinance for the purposes of sections 3 to 7 of the SDI Ordinance and in so far as was known to the Directors, the following persons were the only persons (not being a Director or the chief executive of the Company) directly or indirectly interested in shares representing 10% or more of the

nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

| Name | Direct interest | Number of shares Deemed interest | Total interest |
|---|--------------------|--|-------------------|
| Rovtec Investments Limited (<i>Note</i>) | 886,519,589 | - | 886,519,589 |
| COFCO (HK) (<i>Note</i>) | 226,163,450 | 1,124,811,589 | 1,350,975,039 |
| COFCO | - | 1,350,975,039 | 1,350,975,039 |

Note: The ultimate holding company of these companies is COFCO.

Save as disclosed herein there is no person known to the Directors or chief executive of the Company who was, as at 30 June 2003, directly or indirectly, interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the Company.

PRACTICE NOTE 19 OF THE LISTING RULES

As at 30 June 2002, the Company had the following outstanding loan facilities, each of which was subject to, *inter alia*, a specific performance obligation being maintained by the Company's parent company, COFCO (HK), during the tenure of each loan facility:

- (a) HK\$78,000,000, maturing on 24 July 2002;
- (b) HK\$142,858,000, maturing on 28 November 2002; and
- (c) HK\$77,000,000, maturing on 29 June 2003.

The obligation requires COFCO (HK) to maintain a holding of not less than 40% of the entire issued share capital of the Company throughout the life of each loan facility. A breach of the aforesaid obligation will constitute an event of default under the loan agreement setting out the terms and conditions of each loan facility. As a result of such breach, each loan facility may become due and payable on demand by the lender under the loan agreement according to the terms and conditions thereof.

As at 30 June 2002, COFCO (HK), directly and indirectly, held approximately 50.5% of the issued share capital of the Company.

CORPORATE GOVERNANCE

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that independent non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a general review of the unaudited interim financial statements for the six months ended 30 June 2002.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Xue Guoping
Vice-Chairman & Managing Director

Beijing, 28 August 2002