CONDENSED INTERIM ACCOUNTS

The board of directors (the "Directors") of COFCO International Limited (the "Company") is pleased to present the interim report 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 – UNAUDITED FOR THE SIX MONTHS ENDED 30 JUNE 2002

	Notes	Six months ended 30 June 2002 HK$'000	Six months ended 30 June 2001 HK$'000
TURNOVER	2	**4,342,161**	1,649,401
Cost of sales		**(3,831,566)**	(1,560,881)
Gross profit		**510,595**	88,520
Other revenue and gains		**83,263**	51,531
Distribution costs		**(263,999)**	(27,785)
Administrative expenses		**(65,376)**	(28,623)
Other operating income/(expenses), net		**(18,903)**	7,694
PROFIT FROM OPERATING ACTIVITIES	2, 3	**245,580**	91,337
Finance costs		**(24,507)**	(8,050)
Share of profits less losses of associates		**33,611**	21,958
PROFIT BEFORE TAX		**254,684**	105,245
Tax	4	**(50,452)**	(9,817)
PROFIT BEFORE MINORITY INTERESTS		**204,232**	95,428
Minority interests		**(28,713)**	(14,482)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		**175,519**	80,946
INTERIM DIVIDENDS		**47,077**	62,769
INTERIM DIVIDENDS PER SHARE		**3 HK cents**	4 HK cents
EARNINGS PER SHARE	5		
Basic		**11.2 HK cents**	9.5 HK cents
Diluted		**10.4 HK cents**	N/A

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

	Six months ended 30 June	
	2002	2001
	HK$'000	*HK$'000*
Opening balance – Total equity	**3,261,719**	1,421,067
Change in accounting policy	**-**	26,415
Restated balance	**3,261,719**	1,447,482
Net profit for the period	**175,519**	80,946
Approval of final dividends at the Annual General Meeting	**(78,461)**	(26,415)
Issue of share capital	**-**	1,461,939
Closing balance – Total equity	**3,358,777**	2,963,952

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2002

	Notes	(Unaudited) 30 June 2002 HK$'000	(Audited and Restated) 31 December 2001 HK$'000
NON-CURRENT ASSETS			
Fixed assets		**1,827,531**	1,664,967
Goodwill:			
Goodwill		**491,601**	509,193
Negative goodwill		**(21,546)**	(23,232)
Interests in associates		**320,762**	321,855
Pledged bank deposits		**-**	5,442
Long term investments		**55,510**	56,210
Advance to an investee company		**12,751**	12,751
		2,686,609	2,547,186
CURRENT ASSETS			
Inventories		**566,290**	712,467
Trade debtors	*7*	**291,655**	322,707
Other debtors, prepayments and deposits		**338,157**	259,062
Amounts due from fellow subsidiaries	*13*	**80,968**	25,595
Amounts due from ultimate holding company	*13*	**21,508**	–
Amounts due from related companies	*13*	**310,390**	100,205
Other investments		**197,603**	197,865
Cash and cash equivalents		**1,614,631**	1,738,844
		3,421,202	3,356,745

	Notes	(Unaudited) 30 June 2002 HK$'000	(Audited and Restated) 31 December 2001 HK$'000
CURRENT LIABILITIES			
Accounts payable	8	**278,322**	230,052
Other payables and accruals		**353,699**	430,106
Amounts due to fellow subsidiaries	13	**55,905**	7,335
Amount due to immediate holding company	13	**7,902**	8,670
Amount due to ultimate holding company	13	**-**	146,845
Amounts due to related companies	13	**11,691**	6,039
Tax payable		**32,179**	24,471
Interest-bearing bank loans and other loans	9(a)	**929,433**	758,414
		1,669,131	1,611,932
NET CURRENT ASSETS		**1,752,071**	1,744,813
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,438,680**	4,291,999
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other loans	9(a)	**(101,179)**	(87,415)
Advance from minority shareholders of subsidiaries	9(b)	**(105,727)**	(103,769)
Convertible notes	9(c)	**(301,000)**	(301,000)
		(507,906)	(492,184)
		3,930,774	3,799,815
MINORITY INTERESTS		**(571,997)**	(538,096)
		3,358,777	3,261,719
CAPITAL AND RESERVES			
Issued capital	10	**156,923**	156,923
Reserves	11	**3,201,854**	3,026,335
Proposed final dividends		**-**	78,461
		3,358,777	3,261,719

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

	Six months ended 30 June	
	2002	2001 (Restated)
	HK$'000	*HK$'000*
NET CASH OUTFLOW FROM OPERATING ACTIVITES	**(137,084)**	(24,754)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(232,075)**	(106,741)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	**(369,159)**	(131,495)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**186,740**	426,940
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(182,419)**	295,445
Cash and cash equivalents at beginning of period	**1,653,325**	983,055
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,470,906**	1,278,500
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**690,022**	263,174
Time deposits with original maturity of less than three months when acquired	**780,884**	1,015,326
	1,470,906	1,278,500

NOTES TO CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION

The unaudited consolidated condensed interim accounts (the "Interim Accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("HKSSAP") No. 25 "Interim Financial Reporting" and the applicable disclosure requirements of Appendix 16 to 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. In addition, the Group has adopted the following revised or new HKSSAPs which are effective for accounting periods commencing on or after 1 January 2002.

HKSSAP 1 (Revised)	Presentation of financial statements
HKSSAP 11 (Revised)	Foreign currency translation
HKSSAP 15 (Revised)	Cash flow statements
HKSSAP 34	Employee benefits

In accordance with HKSSAP 15 (Revised), the cash flow equivalents is presented by means of cash flow statement which classifies cash flows during the period according to operating, investing and financing activities. Condensed consolidated cash flow statement for the six months ended 30 June 2001 have been restated to accord with the current period's presentation.

The adoption of the revised or new HKSSAPs has had no material effect on the results for the current period or prior financial year. Accordingly, no prior period adjustment is required.

Certain comparative figures of the Interim Accounts have been reclassified to conform with the current period's presentation.

2. SEGMENTAL INFORMATION

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the period. An analysis of the Group's unaudited segment revenue and unaudited segment result for business segments and geographical segments for the period is as follows:

(a) Business segments

Group

	Edible oils, soybean meal and related products		Wineries		Trading		Confectionery		Flour milling		Corporate and others		Consolidated	
	2002	2001	**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*	***HK$'000***	*HK$'000*
Segment revenue: Sales to external customers	**2,561,259**	626,726	**217,031**	36,142	**1,240,908**	812,254	**107,988**	-	**214,975**	174,279	**-**	-	**4,342,161**	1,649,401
Segment results	**68,426**	35,889 *	**50,202**	6,006 *	**64,775**	16,944	**21,754**	-	**4,086**	2,094	**14,079**	(6,910)*	**223,322**	54,023 *
Interest and dividend income													**22,958**	28,047
Unallocated gains and expenses, net													**(700)**	9,267 *
Profit from operating activities													**245,580**	91,337
Finance costs													**(24,507)**	(8,050)
Share of profits less losses of associates	**21,127**	19,221	**12,484**	2,737									**33,611**	21,958
Profit before tax													**254,684**	105,245

(b) Geographical segments

Group	Hong Kong		Elsewhere in the PRC		Eliminations		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*
Segment revenue: Sales to external customers	**750,623**	812,254	**3,591,538**	837,147	**-**	-	**4,342,161**	1,649,401
Segment results	**4,975**	9,686*	**217,647**	53,604*	**-**	-	**222,622**	63,290 *

* *Restated*

3. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 30 June 2002 (Unaudited) *HK$'000*	Six months ended 30 June 2001 (Unaudited) *HK$'000*
Gain on disposal of long term investments	**(7,547)**	–
Dividend from a long term investment	**(1,497)**	(1,419)
Net rental income	**(4,910)**	(463)
Interest income	**(21,461)**	(26,628)
Provision for impairment of listed equity securities	**262**	598
Cost of inventories sold	**3,831,566**	1,560,881
Provision against inventories	**2,500**	–
Provision for doubtful debts	**5,066**	513
Depreciation	**52,918**	13,166
Loss on disposal of fixed assets	**719**	146
Amortisation of a long term investment	**700**	700
Amortisation of goodwill	**17,592**	1,163
Negative goodwill recognised as income	**(1,686)**	–

4. TAX

Hong Kong profits tax has been calculated at the rate of 16 per cent. (2001: 16 per cent.) 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.

	Six months ended 30 June 2002 (Unaudited) *HK$'000*	Six months ended 30 June 2001 (Unaudited) *HK$'000*
The charge comprises:		
The Group:		
Hong Kong	**2,086**	2,584
Outside Hong Kong	**43,007**	4,505
	45,093	7,089
Share of tax attributable to associates:		
Outside Hong Kong	**5,359**	2,728
	50,452	9,817

5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to the shareholders for the period of HK$175,519,000 (2001:HK$80,946,000) and the weighted average number of 1,569,229,974 (2001: 854,106,870) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on (i) the adjusted net profit attributable to shareholders of HK$178,040,000 after taking into account the saving in finance costs of HK$2,521,000 on the convertible notes; and (ii) the adjusted weighted average of 1,709,229,974 shares after taking into account the weighted average number of shares in issue during the period, as used in the basic earnings per share calculation; and the weighted average of 140,000,000 shares assumed to have been issued on deemed conversion of convertible notes at the beginning of the current period. The share options outstanding during the current period had either anti-dilutive or no dilutive effect on the basic earnings per share.

Diluted earnings per share for the period ended 30 June 2001 has not been disclosed, as the share option outstanding had an anti-dilutive effect on the basic earnings per share for that period.

6. ADDITIONS TO FIXED ASSETS

During the six months ended 30 June 2002, the Group spent approximately HK$216,520,000 (six months ended 30 June 2001: HK$22,413,000) on additions to fixed assets.

7. TRADE DEBTORS

The trade debtors of the Group includes trading balances due from fellow subsidiaries, a related company and an associate of HK$5,929,000 (31 December 2001: HK$44,349,000).

The ageing analysis of trade debtors balance is as follows:

	The Group	
	30 June 2002 (Unaudited)	31 December 2001 (Audited)
	HK$'000	*HK$'000*
Outstanding balances with ages:		
Within 6 months	**288,881**	316,886
Between 7 to 12 months	**3,432**	2,111
Between 1 to 2 years	**2,618**	3,300
Over 2 years	**12,908**	11,556
	307,839	333,853
Less: Provision for doubtful debts	**(16,184)**	(11,146)
	291,655	322,707

Trade debtors, which generally have credit terms of 30-90 days, are recognised and carried at original invoiced amount less provision for doubtful debts when collection of the full amount is no longer probable. Bad debts are written off as incurred.

8. ACCOUNTS PAYABLE

The accounts payable of the Group includes trading balances due to the ultimate holding company, fellow subsidiaries and associates of HK69,369,000 (31 December 2001: HK$6,879,000).

The ageing analysis of accounts payable balance is as follows:

	The Group	
	30 June 2002 (Unaudited) ***HK$'000***	31 December 2001 (Audited) *HK$'000*
Outstanding balances with ages:		
Within 6 months	**261,503**	217,402
Between 7 to 12 months	**5,169**	1,869
Between 1 to 2 years	**1,772**	1,993
Over 2 years	**9,878**	8,788
	278,322	230,052

9. BORROWINGS

(a) Interest-bearing bank loans and other loans

	The Group	
	30 June 2002 (Unaudited) ***HK$'000***	31 December 2001 (Audited) *HK$'000*
Bank loans:		
Secured	**39,151**	49,756
Unsecured	**911,980**	714,705
	951,131	764,461
Other loans from China National Cereals, Oils & Foodstuffs Import & Export Corporation ("COFCO"), the ultimate holding company of the Company:		
Unsecured	**79,481**	81,368
	1,030,612	845,829

	The Group	
	30 June 2002 (Unaudited)	31 December 2001 (Audited)
	HK$'000	*HK$'000*
Bank loans repayable:		
Within one year or on demand	**929,433**	758,414
In the second year	**-**	1,728
In the third to fifth years, inclusive	**16,981**	4,319
Beyond five years	**4,717**	–
	951,131	764,461
Other loans repayable:		
In the second year	**2,830**	4,717
Beyond five years	**76,651**	76,651
	79,481	81,368
	1,030,612	845,829
Portion classified as current liabilities	**(929,433)**	(758,414)
Non-current portion	**101,179**	87,415

The bank loans bear interest at rates ranging from 2.2 per cent. per annum to 7 per cent. per annum (31 December 2001: from 1.8 per cent. per annum to 7 per cent. per annum). Except for the other loans of HK$44,340,000 (31 December 2001: HK$46,226,000) which bear interest at rates ranging from 5 per cent. per annum to 5.9 per cent. per annum (31 December 2001: 5.6 per cent. per annum to 5.9 per cent. per annum), the balances are interest-free.

HK$269,835,000 (31 December 2001: HK$268,868,000) of the unsecured bank loans were guaranteed by Northsea Oils & Grains Industries (Tianjin) Co., Ltd., an associate of the Group, and COFCO.

(b) Advance from minority shareholders of subsidiaries

The advances from minority shareholder of subsidiaries are unsecured, interest-free and will not be repayable within the next twelve months (31 December 2001: HK$11,793,000 which bear interest at 6.4 per cent. per annum).

(c) Convertible notes

The convertible notes are payable to COFCO (Hong Kong) Limited, the immediate holding company of the Company. There are a total of 14 convertible notes of a principal amount of HK$21.5 million each. The notes bear interest at 2 per cent. per annum and will mature on 26 October 2004. The note holders have the right to convert the notes into ordinary shares of the Company at a conversion price of HK$2.15 per share.

10. SHARE CAPITAL

	Number of ordinary shares issued	**Par value**
		HK$'000
Balance as at 1 January and 30 June 2002	1,569,229,974	156,923

11. RESERVES

The Group

	Share premium account HK$'000	Capital reserve HK$'000	Investment properties revaluation reserve HK$'000	Other properties revaluation reserve HK$'000	Reserve funds HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 Jan 2002	2,413,788	135,742	222	55	20,114	3,014	453,400	3,026,335
Profit for the period	–	–	–	–	–	–	175,519	175,519
At 30 Jun 2002	**2,413,788**	**135,742**	**222**	**55**	**20,114**	**3,014**	**628,919**	**3,201,854**

12. PLEDGES OF ASSETS

Certain bank loans of the Group are secured by:

(a) a charge over part of the Group's investment properties held outside Hong Kong with a carrying value at the balance sheet date of approximately HK$60,962,000 (31 December 2001: HK$60,962,000);

(b) a charge over the Group's fixed assets held outside Hong Kong with net book values of approximately HK$102,989,000 (31 December 2001: HK$112,515,000); and

(c) no bank deposit (31 December 2001: HK$5,442,000).

13. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the Interim Accounts, the Group had the following material transactions with related parties during the period:

(a)

	Notes	**Six months ended 30 June 2002 (Unaudited) *HK$'000***	Six months ended 30 June 2001 (Unaudited) *HK$'000*
Transactions with fellow subsidiaries:			
Purchase of goods and raw materials	*(i)*	**432,609**	61,652
Operating lease rental expenses	*(i)*	**773**	773
Sale of goods	*(i)*	**212,818**	9,132
Freight charge expenses	*(i)*	**2,302**	5,431
Interest expenses	*(ii)*	**–**	2,280
Reimbursement of advertising expenses	*(iii)*	**7,783**	1,285
Transactions with the ultimate holding company:			
Sale of goods	*(i)*	**–**	382,654
Purchase of raw materials	*(i)*	**–**	6,121
Operating lease rental expenses	*(i)*	**2,257**	–
Reimbursement of advertising expenses	*(iii)*	**3,491**	860
Management fee expenses	*(i)*	**4,580**	701
Royalty fee expenses	*(i)*	**2,408**	308
Interest expenses	*9(a)*	**1,285**	299
Management fee income	*(i)*	**15,337**	–

	Notes	**Six months ended 30 June 2002 (Unaudited) HK$'000**	Six months ended 30 June 2001 (Unaudited) HK$'000
Transactions with a holding company:			
Interest expenses on convertible notes	*9(c)*	**3,002**	–
Transactions with associates:			
Sale of goods	*(i)*	**33,008**	20,947
Purchase of goods and raw materials	*(i)*	**338,879**	496
Management fee income	*(i)*	**10,808**	–
Interest income	*(iv)*	**144**	185
Transactions with minority shareholders of subsidiaries:			
Sale of goods	*(i)*	**133,743**	–
Purchase of raw materials	*(i)*	**1,514,980**	234,277
Interest expenses	*9(b)*	**-**	376

(i) These transactions were carried out with reference to market price, or where no market price was available, at cost plus a percentage of profit mark-up.

(ii) The interest expenses arose from the amounts due to certain fellow subsidiaries which bore interest at 3.5 per cent. to 6 per cent. per annum and were fully repaid during the six months ended 30 June 2001.

(iii) The reimbursement of advertising expenses was calculated with reference to the actual advertising expenses incurred for the year ended 31 December 2000.

(iv) The interest income arose from a loan to an associate of HK$26,117,000 which is unsecured, bears interest at 6 per cent. per annum (six months ended 30 June 2001: 8.5 per cent. per annum) and repaid during the current period under review.

Except for those disclosed in (ii) above, the balances with associates, fellow subsidiaries, holding companies and related companies are unsecured, interest-free and have no fixed terms of repayment.

Except for those disclosed in (iv) above, all the loans to associates are interest-free. All the loans to associates are unsecured and will not be repayable within the next twelve months.

The advance to an investee company is unsecured, interest-free and will not be repayable within the next twelve months.

(b) During the period, pursuant to certain licensing agreements entered into between the Group and related parties, the Group is granted the exclusive right to use certain trade marks for its edible oils, soyabean meal and related products businesses with no consideration.

14. CAPITAL COMMITMENTS

At 30 June 2002, the Group had the following capital commitments:

	The Group	
	30 June 2002 (Unaudited) ***HK$'000***	31 December 2001 (Audited) *HK$'000*
Capital commitments in respect of acquisition of property, plant and equipment, contracted for	**166,468**	104,805
Capital commitments in respect of increase in investment in an associate	**41,264**	41,264
	207,732	146,069

15. CONTINGENT LIABILITIES

	The Group	
	30 June 2002 (Unaudited) ***HK$'000***	31 December 2001 (Audited) *HK$'000*
Guarantees given to banks in connection with facilities granted to:		
A minority shareholder of subsidiary	**–**	15,560
Investee company	**8,900**	–
	8,900	15,560

16. APPROVAL OF THE INTERIM ACCOUNTS

The Interim Accounts were approved by the board of Directors on 28 August 2002.

ADOPTION OF CHINESE NAME

Pursuant to a special resolution passed by shareholders of the Company and the approval given by the Registrar of Companies in Hong Kong, the Company has adopted the Chinese name "中國糧油國際有限公司" for registration in Hong Kong with effect from 14 June 2002.

INTERIM DIVIDEND

The Directors declare the payment of an interim dividend of 3 HK cents (2001: 4 HK cents) per share in respect of the six months ended 30 June 2002. The interim dividend will be payable on 30 September 2002 to shareholders of the Company whose names appear on the Register of Members of the Company on 20 September 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 16 September 2002 to 20 September 2002, both days inclusive, during which period no share transfer will be effected. To qualify for the above interim dividend, all transfer, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars and Transfer Office in Hong Kong, Progressive Registration Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not later than 4:00 p.m. on 13 September 2002.

MANAGEMENT DISCUSSION & ANALYSIS

During the period under review, the Group recorded a consolidated turnover of approximately HK$4,342,161,000, representing a substantial increase of approximately 163% when compared to the corresponding period last year. Profit attributable to shareholders amounted to HK$175,519,000, representing an increase of 117% when compared to the corresponding period last year. Earnings per share for the period under review was 11.2 HK cents, representing an increase of 18% when compared to 9.5 HK cents per share in the corresponding period last year.

Having completed the acquisition of certain businesses from its parent company COFCO (Hong Kong) Limited ("COFCO (HK)") last year, the Group currently has five established food related core businesses, namely edible oils, soyabean meal and related products, wineries, confectionery, flour milling and trading.

The results for each of the core businesses and other relevant information of the Group during the period under review are set out as follows:

Edible Oils, Soyabean Meal and Related Products

Upon completion of the acquisition of certain edible oils businesses last year, the Group became the largest edible oils manufacturer in China, with an annual extraction volume of 3,300,000 tonnes and an annual output of refined edible oils of 1,200,000 tonnes. Currently, the Group is engaged in the extraction, refinery, manufacturing and sales of "四海" soyabean meal and "福臨門" edible oils, and the manufacture and sales of related downstream products through three subsidiaries, namely East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd. ("East Ocean"), Yellowsea Oils & Grains Industries (Shandong) Co., Ltd. and Eastbay Oils and Fats Industries (Guangzhou) Co., Ltd., in which the Group holds 54%, 73% and 84% interest respectively, and three associates, namely Northsea Oils & Grains Industries (Tianjin) Co., Ltd. ("North Ocean"), Great Ocean Oils & Grains Industries (Fang Cheng Gang) Co., Ltd. ("Great Ocean") and Laiyang Luhua Fragrant Peanut Oil Co., Ltd., in which the Group holds 43%, 40% and 24% interest respectively.

During the period, due to uncertainties arising from the introduction of the "Provisional Rules on Genetically Modified Soyabeans" in the Mainland, the import of the Group's soyabean in terms of volume and the production, extraction and sales of soyabean oil and related downstream products have been affected. To a certain extent, this has impacted the profit margins and profitability of the edible oils business. The price increase of soyabean in the international market also affected the production of soyabean meal in the Mainland causing a shortage of supply over demand of soyabean meal in the Mainland and a surge in price. Capitalising on this opportunity, the Group increased the export and domestic sales of soyabean meal, coupled with the commencement of the full scale operation of Great Ocean this year, profitability of soyabean oil extraction and related downstream products business improved substantially during the period and eliminated the adverse impact caused by the external factors, including soyabean shortages and the price increase of raw materials. With regulations on the genetic modification of soyabeans approaching the final stages, import of the Group's soyabean has been resumed. Management of the Group is confident that the soyabean oil extraction and related downstream products will generate satisfactory returns for the Group in the second half of the year.

Not only does the Group strive to improve on its production facilities, it also focuses on enhancing its productivity. The newly constructed factories for consumer-pack edible oils and rapeseed extraction commenced operation in July this year, and other alteration and expansion works on the production facilities for oil extraction, refinery and other packages have also commenced. In addition, the Group will be expanding its production facilities for feeds and high-grade edible oils in order to comply with its business strategies to develop, intensify and diversify its edible oils, soyabean and related products businesses. The Group also plans to continue expanding its current sales channels comprising over 140 top-tiered distributors as an effort to meet the future business development needs of its consumer-pack edible oils.

With China's accession into the World Trade Organisation (the "WTO"), the edible oils, soyabean meal and related products industries are bound to experience its impact to a certain degree, yet the Group will also be presented with tremendous opportunities at the same time. By leveraging on its well established history, track record, size and brand awareness of its edible oils, soyabean meal and related products businesses, the establishment of its extensive sales network prior to China's accession to the WTO as well as the expected lifting or mitigation of current import quotas on oils and fats and import duties after China's accession to the WTO, the Group will be well positioned to benefit from the unlimited opportunities and business prospects.

Wineries

During the period under review, the Group is engaged in the production and sales of wine under the trademark "Great Wall" in the Mainland, through its 50%, 100% and 60% interest in China Great Wall Wine Co., Ltd., Huaxia Winery Co., Ltd. and Yantai COFCO Winery Co., Ltd. respectively.

The wine market in China recorded a 15% growth rate last year, while the "Great Wall" wine business even achieved a 25% growth rate. During the period, the wine market in China continued to develop rapidly and there was an immense demand for "Great Wall" wines, thereby improving the returns for the Group in the wine business. Furthermore, with the Group's improved production management and cost control and the lowered duties for the import of bulk wine, profitability of the Group's winery business has shown further improvements.

The opening up of the wine market in China and relaxation of trade restrictions following China's accession into the WTO will inevitably intensify competition in Chinese wine industry. The Group will continue to enhance the brand image of "Great Wall" and expand its sales channel that currently comprises over 300 top-tiered distributors. The Group will also explore new markets and consolidate the existing sales team in order to strengthen its production and sourcing management and to improve on the current competitiveness of its "Great Wall" wine. Last but not least, the Group will also strive to increase the productivity of the "Great Wall" wine to satisfy the expected future increase in demand.

Confectionery

During the period, the Group continued to engage in the production and distribution of confectionery and chocolate products in the Mainland under the trademark "Le Conte", through its 86% and 77% interest in Shenzhen Le Conte Foodstuff Co., Ltd. and Shenzhen Le Conte Marketing Services Co., Ltd. respectively.

The Group's aggressive promotion and market penetration strategies for its confectionery business last year proved to be successful and contributed to a considerable increase in turnover during the period under review as compared to the pro forma figure of the corresponding period last year. Gross profit and earnings have also improved remarkably, attributable to the Group's effective production and operating cost control management.

The management firmly believes that achieving better economic efficiency, increasing market share as well as enhancing consumer loyalty to "Le Conte" products in the Mainland will help to further consolidate its confectionery business. Witnessing such encouraging profit growth, the Group will, on one hand, continue to enhance the research and development of new products and improve product sales and market development. On the other hand, it will also expand its sales channel that comprises over 160 top-tiered distributors. In light of the tremendous potential of the chocolate market and the significant increase in consumer spending in the Mainland, sales and profit from the confectionery business will bring forth a larger contribution to the Group's profits.

Flour Milling

During the period, the Group continued to be engaged in the flour milling business through two sino-foreign joint ventures, namely Zhengzhou Haijia Food Co., Ltd. and Xiamen Haijia Flour Mills Co., Ltd., in which the Group holds 55% and 60% interest respectively, and through a wholly foreign-owned enterprise, East Ocean, in which the Group holds a 54% interest.

During the period, the flour milling business of the Group continued to face a challenging business environment, with rising raw materials and production costs, declining selling price as well as increasing competition in the market. Nonetheless, by implementing effective measures to control cost, to enhance management and to monitor product quality, the overall profit of the flour milling business recorded a significant increase as compared to the corresponding period last year.

Looking ahead, the Group will take a positive approach to overcome challenges in the flour milling industry by accelerating its pace in developing new products and downstream products, and enhancing its cost control and product management so as to further expand its sales network and to achieve further improvement in profitability.

Trading

The Group continued to be engaged in the trading, import and export of foodstuffs, grains and animal feedstock domestically and internationally through two wholly-owned subsidiaries of the Company, namely China Foods Trading Limited ("China Foods Trading") and COFCO International (Beijing) Ltd. ("COFCO International Beijing"). During the period under review, China Foods Trading and COFCO International Beijing were principally engaged in the bulk trading of maize, fish meal, cotton meal, vegetable meal, cereal, soyabeans and red beans.

Leveraging on its extensive experience in foodstuffs trading and its well-established international trading network, coupled with a stringent and comprehensive trading risk management system, China Foods Trading continued to generate considerable and stable operating profit contributions to the Group.

The management is confident that China's accession into the WTO will be tremendously beneficial to the development of its domestic and international trading and its import and export business. The trading quota will also be increased substantially to create numerous business opportunities and to strengthen the overall business. The Group will continue to actively explore opportunities in the high value-added processing trading business so as to further extend its scope of business.

Other Non-core Businesses

The Group currently holds 28.6% and 50% interest in Jiangsu Jiangshan Pharmaceutical Company Limited and Jiangsu Jiang Yuan Thermal Power Company Limited, respectively. These companies are principally engaged in the production of Vitamin C and the operation of a thermal energy plant.

In addition, to focus on its five core food related businesses, the Group successfully disposed of its meat product processing business for about HK$7,547,000.

The Group will continue to seek to dispose of its non-core businesses, so as to allocate its internal resources for the development of its core businesses and to generate better returns for the shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial and liquidity positions are healthy and stable. As at the end of June 2002, the Group's aggregate shareholders' equity amounted to HK$3,358,777,000, representing a growth of 3% over the figures of the balance sheet dated last year. On 30 June 2002, the Group's cash and non-pledged bank deposits amounted to HK$1,614,631,000 (31 December 2001: HK$1,738,844,000). Net current assets of the Group was approximately HK$1,752,071,000 (31 December 2001: HK$1,744,813,000). With the aforementioned and the currently available bank loans and other borrowings and facilities, the management is confident that the Group's financial resources are sufficient to repay its debts and to finance its day-to-day operation and capital expenditure. The Group also has sufficient internal resources to settle the payment of HK$41,264,000 for the additional 5.37% equity interest in North Ocean. The legal procedures in the Mainland was completed after the balance sheet date of the period under review, and the relevant consideration for the acquisition will be paid subsequently.

The Group's monetary assets, liabilities and transactions are principally denominated in Hong Kong dollars, Renminbi and United States dollars. As the exchange rate between Hong Kong dollars and United States dollars is pegged, together with the minimal fluctuation in the exchange rate between Hong Kong dollar and Renminbi, the Group believes its exposure to exchange rate risk is minimal.

CAPITAL STRUCTURE

There was no change to the share capital of the Company during the period under review. As at 30 June 2002, 14 convertible notes ("Convertible Notes") of the Company remain outstanding with an aggregate principal amount of HK$301,000,000. Effective from the date of issuance up to its third anniversary, the holder(s) of the Convertible Notes has the right to convert in full or in part the Convertible Notes into shares of the Company at a price of HK$2.15 per share. No such right of conversion had been exercised during the period under review. The Convertible Notes carry a fixed yield of 2% per annum payable semi-annually in arrears.

As at 30 June 2002, apart from the aforesaid and certain bank loans, certain loans from the minority shareholders of the Group's subsidiaries and other loans (with an aggregate amount of HK$1,437,339,000) (31 December 2001: HK$1,250,598,000), the Group has no other material borrowings. During the period under review, all bank borrowings were interest-bearing on a fixed annual rate of 2.2% to 7% (31 December 2001: 1.8% to 7%). Other borrowings, other than Convertible Notes, were either interest-free or interest-bearing on a fixed annual rate of 5% and 5.9% (31 December 2001: 5.6%, 5.9% and 6.4%).

As at the end of June 2002, the Group's aggregate shareholders' equity amounted to HK$3,358,777,000 (31 December 2001: HK$3,261,719,000), whereas total interest-bearing borrowings amounted to HK$1,296,471,000 (31 December 2001: HK$1,123,480,000). Based on the aforesaid, the Group's gearing ratio was approximately 38% (31 December 2001: 34%).

CONTINGENT LIABILITIES AND ASSETS PLEDGED

As at 30 June 2002, the Group provided a bank guarantee of approximately HK$8,900,000 (31 December 2001: HK$15,560,000) in connection with the facilities granted to an investee company of the Group (31 December 2001: a minority shareholder of a subsidiary).

As at 30 June 2002, certain bank loans of the Group were secured by charges over its fixed assets with a net book value of approximately HK$102,989,000 (31 December 2001: HK$112,515,000), its investment properties with a carrying value of HK$60,962,000 (31 December 2001: HK$60,962,000) and a pledge of bank deposits of HK$nil (31 December 2001: HK$5,442,000).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2002, the total number of staff of the Group in Mainland and Hong Kong was approximately 3,620 (31 December 2001: 3,496). The Group remunerates its employees based on performance, experience and prevailing industry practice. On-the-job and professional training are provided as well. The Group provides retirement benefits for its employees in Hong Kong in the form of either Mandatory Provident Fund Exempted ORSO or Mandatory Provident Fund, and provides similar schemes for its employees in the Mainland. Details of the retirement benefit schemes are set out in the Group's 2001 Annual Report.

The Group has established a Share Option Scheme (the "Scheme") to reward its eligible employees (including executive Directors of the Company) for their individual performances. As at the end of June 2002, a total of 50,050,000 share options of the Company were still outstanding. Further details of the Scheme are disclosed in the following section headed "Share Option Scheme".

CHANGE IN THE GROUP'S STRUCTURE

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

PROSPECTS

China's accession to the WTO that was officially proclaimed on 11 December last year, will have a significant impact on the overall business environment. The opening up of the Chinese market, the lifting of trading restrictions as well as the expected entry of foreign companies into the Chinese market will have impact on the Group's existing business framework and bring forth unlimited business opportunities. Food is an essential part of life, and as the population becomes more affluent, it will demand premium food products with better quality. The Group is well positioned to cater for the anticipated demand through its extensive choices of branded premium products.

The Group is currently the leading oils and foodstuffs processing manufacturer in China. The Group will strive to enhance its productivity and cost effectiveness. It will seek to further expand market share and to consolidate its core businesses, so as to improve the Group's profit and returns for shareholders. Capitalising on the well established market position both domestically and internationally, the favourable brand name effect and the sound financial position of the Company's ultimate holding company, China National Cereals, Oils & Foodstuffs Import & Export Corporation ("COFCO"), the Group will continue to explore and seek new acquisition and merger opportunities and strive to become one of the largest and most-recognised food enterprises in the region.

DIRECTORS' INTERESTS IN SECURITIES

Save as disclosed in the following section headed "Share Option Scheme", as at 30 June 2002 , none of the Directors and their associates had any (and was not deemed or taken under section 31 of or Part I of the Schedule to the Securities (Disclosure of Interests) Ordinance ("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 of Hong Kong Limited (the "Stock Exchange") pursuant to section 28 of the SDI Ordinance or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") or which are required pursuant to section 29 of the SDI Ordinance to be entered in the register referred to therein.

SHARE OPTION SCHEME

The Company adopted the Scheme on 23 June 1997 to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. On 13 May 2002, an ordinary resolution was passed to amend certain terms of the Scheme to comply with the new requirements of the Listing Rules.

No share options were granted, exercised, lapsed nor cancelled during the period. The details of the outstanding share options at the beginning and at the end of the period which were granted to the Directors and eligible employees of the Group under the Scheme are as follows:

Name or category of participant	Number of share options outstanding At 1 January 2002	At 30 June 2002	Date of grant of share options *	Exercise period of share options	Exercise price of share options ** HK$
Directors					
Mr. Zhou Mingchen	5,000,000	5,000,000	5.3.2001	5.3.2002 to 4.3.2006	1.368
Mr. Liu Fuchun	4,500,000	4,500,000	5.3.2001	5.3.2002 to 4.3.2006	1.368
Mr. Ma Lishan	5,000,000	5,000,000	5.8.1997	13.2.1998 to 12.2.2003	2.156
	3,000,000	3,000,000	5.3.2001	5.3.2002 to 4.3.2006	1.368
	8,000,000	8,000,000			
Mr. Xue Guoping	5,000,000	5,000,000	5.8.1997	13.2.1998 to 12.2.2003	2.156
	3,000,000	3,000,000	5.3.2001	5.3.2002 to 4.3.2006	1.368
	8,000,000	8,000,000			
Mr. Liu Yongfu	3,000,000	3,000,000	5.3.2001	5.3.2002 to 4.3.2006	1.368
Mr. Ng Eng Leong	2,000,000	2,000,000	5.8.1997	7.2.1998 to 6.2.2003	2.156
	1,000,000	1,000,000	5.3.2001	5.3.2002 to 4.3.2006	1.368
	3,000,000	3,000,000			
Mr. Qu Zhe	350,000	350,000	5.3.2001	5.3.2002 to 4.3.2006	1.368
Other employees					
The aggregate	400,000	400,000	5.8.1997	5.2.1998 to 4.2.2003	2.156
	800,000	800,000	5.3.2001	5.3.2002 to 4.3.2006	1.368
	16,000,000	16,000,000	23.3.2001	23.3.2002 to 22.3.2006	1.368
	1,000,000	1,000,000	3.10.2001	3.10.2002 to 2.10.2006	1.370
	18,200,000	18,200,000			
	50,050,000	50,050,000			

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

SUBSTANTIAL SHAREHOLDERS

As at 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 per cent. 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:

		Number of ordinary shares			
Name of Shareholder	*Notes*	**Direct interest**	**Deemed interest**	**Total interest**	**% of Shareholding**
Brunton Holdings Limited ("Brunton")		337,637,002	–	337,637,002	21.52%
Top Glory International Holdings Limited ("Top Glory")	*(1)*	–	337,637,002	337,637,002	21.52%
Rovtec Investments Limited ("Rovtec")	*(1)*	–	337,637,002	337,637,002	21.52%
Wide Smart Holdings Limited ("Wide Smart")		716,858,947	–	716,858,947	45.68%
COFCO (HK)	*(2)*	10,138,000	1,054,495,949	1,064,633,949	67.84%
COFCO	*(3)*	–	1,064,633,949	1,064,633,949	67.84%

Notes:

(1) This represents the deemed corporate interest of Top Glory and Rovtec in 337,637,002 shares held by Brunton in which each of Top Glory and Rovtec is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Brunton.

(2) This represents the deemed corporate interest of COFCO (HK) in 1,054,495,949 shares in aggregate held by Brunton and Wide Smart in which COFCO (HK) is entitled to control the exercise of one-third or more of the voting power at general meetings of Brunton and Wide Smart and the direct interest of COFCO (HK) in 10,138,000 shares.

(3) This represents the deemed corporate interest of COFCO in 337,637,002 shares, 716,858,947 shares and 10,138,000 shares held by Brunton, Wide Smart and COFCO (HK) respectively.

Save as disclosed herein, there is no person known to the Directors who was, as at 30 June 2002, directly or indirectly, interested in 10 per cent. or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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 to the Listing Rules, except that the independent non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

AUDIT COMMITTEE

In accordance with the Code of Best Practice in the Listing Rules, the Company has established an Audit Committee comprising both independent non-executive Directors of the Company as members with written terms of reference.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters related to the preparation of the unaudited consolidated condensed interim accounts for the six months ended 30 June 2002.

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

Neither the Company, nor any of the subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

By Order of the Board
Ma Lishan
Managing Director

Hong Kong, 28 August 2002