

# Notes to the Condensed Financial Statements

For the Six Months ended 30th June, 2002

## 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Statement of Standard Accounting Practice ("SSAP") 25 *Interim Financial Reporting* issued by the Hong Kong Society of Accountants.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

In the opinion of the directors, the accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2001, except as described below.

In the current period, the Group has adopted, for the first time, a number of new or revised SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new and revised accounting policies. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

## Cash flow statements

In the current period, the Group has adopted SSAP 15 (Revised) *Cash Flow Statements*. Under SSAP 15 (Revised), cash flows are classified under three headings — operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under separate headings, are classified as investing or financing cash flows. Interest paid and dividends paid are classified as financing cash flows, while interest received and dividends received are classified as investing cash flows. Cash flows arising from taxes on income are classified as operating activities. Cash flows of overseas operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The re-definition of cash and cash equivalents and the change in exchange rates used for translation of the cash flows of overseas operations has not had any material effect on the presentation of the comparative amounts shown in the cash flow statement.

## Employee benefits

In the current period, the Group has adopted SSAP 34 *Employee Benefits*, which introduces measurement rules for employee benefits, including retirement benefit plans. The adoption of this SSAP has not had any material effect on the results for the current and prior accounting periods.

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## 3. SEGMENT INFORMATION

### Business Segments

For the six months ended 30th June, 2002

	Consumer products/ retailing HK\$'000	Infrastructure and modern logistics HK\$'000	Medicine and bio- technology HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>				
External sales	946,095	354,322	419,884	1,720,301
Segment results	111,267	353,698	84,544	549,509
Less: Net corporate administrative expenses				(23,898)
Add: Interest income				29,397
Profit from operations				555,008

For the six months ended 30th June, 2001

	Consumer products/ retailing HK\$'000	Infrastructure and modern logistics HK\$'000	Medicine and bio- technology HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>				
External sales	916,769	361,480	339,402	1,617,651
Segment results	85,173	360,856	67,767	513,796
Less: Net corporate administrative expenses				(20,943)
Add: Interest income				92,532
Profit from operations				585,385

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## Geographical Segments

For the six months ended 30th June, 2002

	PRC HK\$'000	South-East Asia HK\$'000	Hong Kong HK\$'000	Other Asian countries HK\$'000	Other areas HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>						
External sales	1,347,417	168,882	65,276	66,348	72,378	1,720,301
Segment results	497,240	16,461	18,980	10,413	6,415	549,509
Less: Net corporate administrative expenses						(23,898)
Add: Interest income						29,397
Profit from operations						555,008

For the six months ended 30th June, 2001

	PRC HK\$'000	South-East Asia HK\$'000	Hong Kong HK\$'000	Other Asian countries HK\$'000	Other areas HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>						
External sales	1,253,809	142,778	56,094	84,920	80,050	1,617,651
Segment results	470,644	9,356	18,426	9,842	5,528	513,796
Less: Net corporate administrative expenses						(20,943)
Add: Interest income						92,532
Profit from operations						585,385

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## 4. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging (crediting):

	Six months ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
Depreciation and amortisation of property, plant and equipment	49,548	44,853
Dividend income from listed investments	(416)	(2,755)
Gain on disposal of investments in securities	(8,136)	(40,119)
Interest income	(29,397)	(92,532)
Net unrealised gain on investments in securities	(3,712)	(6,014)

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## 5. TAXATION

	<b>Six months ended</b>	
	<b>30th June,</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
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The charge comprises:		
Current period taxation of the Company and its subsidiaries:		
Hong Kong Profits Tax	<b>10,862</b>	7,379
PRC income tax	<b>28,314</b>	26,624
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	<b>39,176</b>	34,003
Underprovision of PRC income tax in prior years	<b>8,011</b>	—
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	<b>47,187</b>	34,003
Share of PRC income tax of jointly controlled entities	<b>25,198</b>	16,441
Share of PRC income tax of associates	<b>8,198</b>	5,115
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	<b>80,583</b>	55,559
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Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the period.

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries, jointly controlled entities and associates are entitled to certain exemption and reliefs from PRC income tax for a number of years. Certain PRC subsidiaries and associates are also entitled to reduced tax rates because they are classified as high technology entities under relevant rules. The PRC income tax charges for the current period are arrived at after taking into account these various tax incentives.

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## 6. DIVIDENDS

	Six months ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
2001 final dividend of HK34 cents (2000 final dividend: HK30 cents) per share	312,688	269,756
Additional final dividend due to exercise of share options/issue of new shares on subscription	—	47
	<b>312,688</b>	<b>269,803</b>

The directors have determined that an interim dividend of HK15 cents per share (2001 interim dividend: HK14 cents per share, totalling approximately HK\$125,688,000) should be paid to shareholders of the Company whose names appear on the Register of Members on 27th September, 2002.

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For the Six Months ended 30th June, 2002

## 7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the six months ended 30th June, 2002 is based on the following data:

	Six months ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
Net profit for the period and earnings for the purpose of basic earnings per share	485,278	690,517
Effect of dilutive potential ordinary shares:		
— adjustment to the share of results of a subsidiary based on potential dilution of its earnings per share	(199)	—
Earnings for the purpose of diluted earnings per share	485,079	690,517



# Notes to the Condensed Financial Statements

For the Six Months ended 30th June, 2002

	Six months ended 30th June,	
	2002	2001
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	905,509,890	899,328,972
Effect of dilutive potential ordinary shares		
— share options	17,687,640	13,290,581
Weighted average number of ordinary shares for the purpose of diluted earnings per share	923,197,530	912,619,553

## 8. MOVEMENTS IN INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred costs for construction in progress of approximately HK\$12 million and acquired plant and machinery at a cost of approximately HK\$5 million and furniture, fixtures and equipment at a cost of approximately HK\$10 million for the purpose of expanding the Group's business.

The directors have considered the carrying amount of the Group's investment property carried at revalued amount at 30th June, 2002 and have estimated that the carrying amount did not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

## 9. INTEREST IN JOINTLY CONTROLLED ENTITIES

During the period ended 30th June, 2002, the Group contributed further capital of approximately HK\$73 million to certain jointly controlled entities. The Group also acquired jointly controlled entities for a total consideration of approximately HK\$27 million, resulting in goodwill arising on acquisition of jointly controlled entities of approximately HK\$20 million.

## 10. INTEREST IN ASSOCIATES

During the year ended 31st December, 2001, the Group acquired approximately 17% equity interest in Semiconductor Manufacturing International Corporation ("SMIC") for a consideration of approximately HK\$1,448 million. Part of the consideration of approximately HK\$1,089 million was paid in 2001 and during the period ended 30th June, 2002, the Group paid the balance of the consideration of approximately HK\$359 million.

During the period ended 30th June, 2002, the Group also acquired a 25% equity interest in EAS International Transportation Limited ("EAS International") for a consideration of approximately HK\$52 million. EAS International is engaged in the freight forwarding and logistics businesses in the PRC. As at 30th June, 2002, the Group also advanced a loan of approximately HK\$100 million to EAS International to finance its operations. The loan is unsecured, interest-bearing at prevailing market rates and is repayable within two years.

The Group is committed to acquire an additional interest in EAS International at a consideration not more than HK\$196 million, subject to adjustments. Upon completion of the further acquisition, the Group will become the controlling shareholder of EAS International. The capital commitment has been disclosed in note 15.

# Notes to the Condensed Financial Statements

For the Six Months ended 30th June, 2002

## 11. MOVEMENTS IN INVESTMENTS IN SECURITIES

During the period, the Group acquired certain investments for approximately HK\$403 million and certain investments in the amount of approximately HK\$18 million were disposed of.

## 12. TRADE AND OTHER RECEIVABLES

The Group allows credit period ranging from 30 days to 90 days to its trade customers.

Included in trade and other receivables are trade receivables of HK\$330,844,000 (31st December, 2001: HK\$258,872,000) and their aged analysis is as follows:

	<b>30th June,</b> <b>2002</b> <b>HK\$'000</b>	31st December, 2001 HK\$'000
Trade receivables:		
Within 30 days	<b>136,786</b>	119,841
Within 31–60 days	<b>69,736</b>	57,396
Within 61–90 days	<b>43,735</b>	39,471
Within 91–180 days	<b>66,228</b>	34,210
Within 181–360 days	<b>14,216</b>	2,277
Over 360 days	<b>143</b>	5,677
	<b>330,844</b>	258,872

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## 13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$114,257,000 (31st December, 2001: HK\$121,243,000) and their aged analysis is as follows:

	<b>30th June,</b> <b>2002</b> <b>HK\$'000</b>	31st December, 2001 HK\$'000
Trade payables:		
Within 30 days	<b>82,449</b>	89,438
Within 31–60 days	<b>15,604</b>	15,380
Within 61–90 days	<b>7,372</b>	8,646
Within 91–180 days	<b>5,655</b>	6,294
Within 181–360 days	<b>2,393</b>	387
Over 360 days	<b>784</b>	1,098
	<b>114,257</b>	121,243

## 14. BANK AND OTHER BORROWINGS

During the period ended 30th June, 2002, the Group entered into a syndicated loan agreement relating to a term loan of HK\$800 million and revolving credit facilities of another HK\$800 million. The syndicated loan is unsecured, interest-bearing at commercial rates and is repayable before 10th April, 2007. The Group also obtained other bank loans of approximately HK\$20 million and repaid borrowings of approximately HK\$1,207 million during the period.

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## 15. CAPITAL COMMITMENTS

Since 31st December, 2001, the last annual reporting date, the commitment for the investment in SMIC of approximately HK\$359 million was paid up by the Group. As at 30th June, 2002, the Group had commitments to acquire an additional interest in EAS International for a consideration not more than HK\$196 million.

## 16. OTHER COMMITMENTS

As at 31st December, 2001, there were outstanding interest rate hedging contracts entered into by the Group with certain financial institutions to hedge the floating interest rate risk of the Group's bank loans of US\$150 million. During the period ended 30th June, 2002, the contracts were expired.

## 17. CONTINGENT LIABILITIES

At the balance sheet date, the guarantees given to banks by the Group in respect of banking facilities granted to a jointly controlled entity amounted to approximately HK\$93 million (31st December, 2001: HK\$50 million).

## 18. POST BALANCE SHEET EVENTS

The following significant events occurred after the balance sheet date:

- (a) In August 2002, Shanghai Bright Dairy & Food Company Limited ("Bright Dairy") obtained the approval from the Shanghai Stock Exchange ("SSE") for the listing of its shares on the SSE A Shares Market. Bright Dairy issued 150,000,000 shares of nominal value of RMB1 per share at an issue price of RMB6.5 per share which raised net proceeds of approximately RMB950 million (approximately HK\$888 million). The shares were listed on the SSE on 28th August, 2002. Subsequent to the listing of Bright Dairy shares, the Group's interest in Bright Dairy was diluted from 40% to 30.8%. The estimated gain on this deemed disposal by the Group is approximately HK\$220 million.

The proceeds from the issue of shares will mainly be used by Bright Dairy to develop new markets, extend sales network and expand its research and technology centre.

- (b) In August 2002, the Group completed the acquisition of approximately 9% interest in Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co. Ltd., a company established in the PRC, for a consideration of approximately HK\$53 million. The acquired company is engaged in the research and development of medicine and bio-technology business.

## 19. RELATED PARTY DISCLOSURES

During the period, the Group advanced an amount of approximately HK\$100 million to EAS International, an associate of the Group. The advance is unsecured, interest-bearing at commercial rate and is repayable within two years.