

## 1. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and bases of preparation adopted in these unaudited condensed consolidated interim financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2002, except for the adoption of the revised SSAP 12 “Income Tax” which is effective for the first time for the Period:

SSAP 12 prescribes the basis for accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period; and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses. The SSAP has had no significant impact for these financial statements on the amounts recorded for income taxes.

## 2. TURNOVER

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

## 3. SEGMENT INFORMATION

Segment information is presented by way of the following segment formats:

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

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

# 20 Notes to Condensed Consolidated Financial Statements

30 June 2003

## (a) Business segments

	Corn refined products		Corn based biochemical products		Eliminations		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	614,702	323,869	419,570	362,403	—	—	1,034,272	686,272
Intersegment sales	209,678	127,000	—	—	(209,678)	(127,000)	—	—
<b>Total revenue</b>	<b>824,380</b>	<b>450,869</b>	<b>419,570</b>	<b>362,403</b>	<b>(209,678)</b>	<b>(127,000)</b>	<b>1,034,272</b>	<b>686,272</b>
Segment results	159,400	85,717	142,711	139,800	—	—	302,111	225,517
Unallocated revenue							4,499	3,018
Unallocated expenses							(10,043)	(9,355)
Profit from operating activities							296,567	219,180
Finance costs							(8,459)	(4,862)
Share of profits/(losses) of jointly-controlled entities							(144)	5
Profit before tax							287,964	214,323
Tax							(25,010)	(17,196)
Profit before minority interests							262,954	197,127
Minority interests							(33,832)	(23,319)
Net profit from ordinary activities attributable to shareholders							229,122	173,808

## (b) Geographical segments

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

## 4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Depreciation	42,108	26,958
Impairment of leasehold land and buildings	5,000	—
Interest income	(2,005)	(3,018)

30 June 2003

**5. FINANCE COSTS**

	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans:		
Wholly repayable within five years	<b>13,199</b>	8,362
Repayable beyond five years	<b>260</b>	761
Interest on trust receipt loans, wholly repayable within five years	<b>—</b>	271
	<b>13,459</b>	9,394
Less: Interest capitalised	<b>(5,000)</b>	(4,532)
	<b>8,459</b>	4,862

**6. TAX**

	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current period provision:		
Hong Kong	<b>—</b>	917
Elsewhere	<b>25,010</b>	16,279
Tax charge for the Period	<b>25,010</b>	17,196

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Period. In the prior period, Hong Kong profits tax was provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during that period. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred tax liabilities or assets in respect of the Period (2002: Nil).

30 June 2003

**7. DIVIDENDS**

	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Proposed interim dividend of HK2.0 cents (2002: HK1.5 cents) per Share	<b>39,110</b>	28,892

The Directors propose the payment of an interim dividend of HK2.0 cents (2002: HK1.5 cents) per Share in respect of the Period to shareholders on the register of members on 29 September 2003.

**8. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the Group's net profit from ordinary activities attributable to shareholders for the Period of approximately HK\$229,122,000 (2002: HK\$173,808,000) and the weighted average number of 1,940,778,529 (2002: 1,880,645,515) Shares in issue during the Period.

The calculation of diluted earnings per share is based on the Group's net profit from ordinary activities attributable to shareholders for the Period of approximately HK\$229,122,000 (2002: HK\$173,808,000) and on 1,996,196,565 (2002: 1,998,966,904) Shares, being the weighted average number of 1,940,778,529 (2002: 1,880,645,515) Shares in issue during the Period, as used in the basic earnings per share calculation, plus the weighted average of 55,418,036 (2002: 118,321,389) Shares assumed to have been issued at no consideration on the deemed exercise of all share options during the Period.

**9. TRADE RECEIVABLES**

The Group normally allows credit terms to established customers ranging from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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

	<b>30 June</b>	31 December
	<b>2003</b>	2002
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
1–30 days	<b>212,362</b>	155,596
31–60 days	<b>78,739</b>	56,756
61–90 days	<b>40,949</b>	31,248
Over 90 days	<b>97,933</b>	139,686
	<b>429,983</b>	383,286

**10. TRADE PAYABLES**

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers, other than purchases of corn kernels from farmers, which are normally settled on a cash basis.

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

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
1-30 days	<b>25,816</b>	24,308
31-60 days	<b>3,354</b>	5,464
61-90 days	<b>3,211</b>	5,002
Over 90 days	<b>24,964</b>	25,375
	<b>57,345</b>	60,149

**11. ISSUED CAPITAL**

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

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Authorised: 10,000,000,000 (31 December 2002: 10,000,000,000) Shares of HK\$0.10 each	<b>1,000,000</b>	1,000,000
Issued and fully paid: 1,955,505,600 (31 December 2002: 1,931,705,600) Shares of HK\$0.10 each	<b>195,551</b>	193,171
	<b>Number of issued Shares '000</b>	<b>Par value HK\$'000</b>
Issued share capital as at 1 January 2003 (Audited)	1,931,705	193,171
Exercise of share options (Note)	23,800	2,380
Share capital as at 30 June 2003 (Unaudited)	1,955,505	195,551

Note: During the Period, 23,800,000 share options were exercised which resulted in the issue of 23,800,000 Shares amounting to HK\$2,380,000 and share premium of HK\$35,462,000 (before issue expenses).

30 June 2003

**12. CONTINGENT LIABILITIES**

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

At 30 June 2003, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK\$219,643,000 (31 December 2002: HK\$214,550,000).

**13. COMMITMENTS**

The Group had capital commitments as follows:

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Contracted, but not provided for		
Leasehold buildings	<b>159,104</b>	158,825
Capital contributions payable to a joint venture company (Note)	<b>75,000</b>	—
	<b>234,104</b>	158,825

Note: As detailed in note 14(ii) below, the Group has committed to make capital contributions of approximately HK\$75,000,000 for an acquisition of 70% equity shareholding in a joint venture company.

**14. RELATED PARTY TRANSACTIONS**

- (i) During the period, the Group has transferred a parcel of land to a jointly-controlled entity at HK\$6,141,000, which approximated to its open market value as estimated by directors. No gain or loss arose from such disposal.
- (ii) In May 2003, the Group entered into an agreement to acquire an aggregate of 70% equity interest in Jinzhou Yuancheng from a third party (49%) and Dacheng Industrial (21%), a minority shareholder of certain subsidiaries of the Group. Total consideration of HK\$75 million will be satisfied by HK\$49 million in cash and by issue of Shares of HK\$26 million. This transaction also constitutes a connected transaction as defined under the Listing Rules. Accordingly, a resolution to approve this transaction was passed by the independent shareholders pursuant to an Extraordinary General Meeting held on 28 June 2003. Details of the transaction have been stated in a circular issued by the Company on 9 June 2003. This transaction has not been completed as at 30 June 2003.
- (iii) Subsequent to the balance sheet date, on 17 July 2003, the Group entered into agreements with Dacheng Industrial to establish a joint venture company of which the Group effectively held 73% equity interest. Total investment cost and registered capital of the joint venture company amounted to US\$45 million and US\$15 million, respectively. The registered capital of the joint venture company will be injected by the joint venture partners in cash according to their respective equity interest holding percentage. This joint venture company will be engaged in the production of

certain new corn based biochemical products. As in note (ii) above, this transaction constitutes a connected transaction. A resolution to approve this transaction was passed by the independent shareholders pursuant to another Extraordinary General Meeting held on 19 August 2003. Details of the transaction have been stated in a circular issued by the Company on 31 July 2003.

**15. POST BALANCE SHEET EVENT**

Save as disclosed in note 14(iii) above, no significant post balance sheet event has to be disclosed.

**16. COMPARATIVE FIGURES**

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