

# Notes to Condensed Consolidated Financial Statements

30 June 2004

## 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 2003.

## 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 provide. 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.

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

# Notes to Condensed Consolidated Financial Statements

30 June 2004

## 3. SEGMENT INFORMATION (Continued)

### (a) Business segments

	Corn based biochemical						Consolidated	
	Corn refined products		products		Eliminations			
	Six months ended 30 June							
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	<b>633,853</b>	614,702	<b>819,803</b>	419,570	—	—	<b>1,453,656</b>	1,034,272
Intersegment sales	<b>301,708</b>	209,678	—	—	<b>(301,708)</b>	(209,678)	—	—
Total revenue	<b>935,561</b>	824,380	<b>819,803</b>	419,570	<b>(301,708)</b>	(209,678)	<b>1,453,656</b>	1,034,272
Segment results	<b>199,314</b>	159,400	<b>332,927</b>	142,711	—	—	<b>532,241</b>	302,111
Unallocated revenue							<b>7,478</b>	4,499
Unallocated expenses							<b>(6,794)</b>	(10,043)
Profit from operating activities							<b>532,925</b>	296,567
Finance costs							<b>(16,651)</b>	(8,459)
Share of losses of jointly-controlled entities							<b>(3,000)</b>	(144)
Profit before tax							<b>513,274</b>	287,964
Tax							<b>(33,649)</b>	(25,010)
Profit before minority interests							<b>479,625</b>	262,954
Minority interests							<b>(58,634)</b>	(33,832)
Net profit from ordinary activities attributable to shareholders							<b>420,991</b>	229,122

# Notes to Condensed Consolidated Financial Statements

30 June 2004

## 3. SEGMENT INFORMATION (Continued)

### (b) Geographical segments

	Mainland China		Countries other than Mainland China		Consolidated	
	Six months ended 30 June					
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	<b>1,173,497</b>	944,830	<b>280,159</b>	89,442	<b>1,453,656</b>	1,034,272

## 4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Depreciation	<b>49,804</b>	42,108
Impairment of leasehold land and buildings	<b>—</b>	5,000
Loss on disposal of fixed assets	<b>1,089</b>	—
Provision for bad and doubtful debts	<b>3,882</b>	—
Amortisation of fees incurred for the granting of banking facilities	<b>1,808</b>	—
Amortisation of goodwill	<b>338</b>	—
Interest income	<b>(895)</b>	(2,005)

# Notes to Condensed Consolidated Financial Statements

30 June 2004

## 5. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2004</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2003 (Unaudited) HK\$'000
Interest on bank loans:		
Wholly repayable within five years	<b>21,745</b>	13,199
Repayable beyond five years	<b>98</b>	260
	<b>21,843</b>	13,459
Amortisation of fees incurred for the granting of banking facilities	<b>1,808</b>	—
	<b>23,651</b>	13,459
Less: Interest capitalised	<b>(7,000)</b>	(5,000)
	<b>16,651</b>	8,459

## 6. TAX

	<b>Six months ended 30 June</b>	
	<b>2004</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2003 (Unaudited) HK\$'000
Provisions for the current period:		
Hong Kong	—	—
Elsewhere	<b>33,649</b>	25,010
	<b>33,649</b>	25,010
Tax charge for the Period	<b>33,649</b>	25,010

# Notes to Condensed Consolidated Financial Statements

30 June 2004

## 6. TAX (Continued)

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. 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.

## 7. DIVIDEND

	Six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Interim — HK2.5 cents (2003: HK2.0 cents) per ordinary share	52,200	39,110

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated net profit from ordinary activities attributable to shareholders for the Period of approximately HK\$420,991,000 (2003: HK\$229,122,000) and the weighted average number of 2,043,408,404 (2003: 1,940,778,529) ordinary shares in issue during the Period.

The calculation of diluted earnings per share is based on the consolidated net profit from ordinary activities attributable to shareholders for the Period of approximately HK\$420,991,000 (2003: HK\$229,122,000) and on 2,128,487,474 (2003: 1,996,196,565) ordinary shares, being the weighted average number of 2,043,408,404 (2003: 1,940,778,529) ordinary shares in issue during the Period, as used in the basic earnings per share calculation, plus the weighted average of 85,079,070 (2003: 55,418,036) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the Period.

At the balance sheet date, the Company had bonus warrants. Since the exercise price of these bonus warrants was higher than the average market price of the Company's ordinary shares during the Period, for the purpose of calculating the diluted earnings per share, no shares were assumed to have been issued of such warrants outstanding 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 2004 (Unaudited) HK\$'000</b>	31 December 2003 (Audited) HK\$'000
1 – 30 days	<b>245,872</b>	246,978
31 – 60 days	<b>105,094</b>	62,701
61 – 90 days	<b>75,437</b>	45,072
Over 90 days	<b>150,582</b>	106,335
	<b>576,985</b>	461,086

**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.

# Notes to Condensed Consolidated Financial Statements

30 June 2004

## 10. TRADE PAYABLES (Continued)

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 2004 (Unaudited) HK\$'000</b>	31 December 2003 (Audited) HK\$'000
1 - 30 days	<b>79,718</b>	67,862
31 - 60 days	<b>19,935</b>	4,284
61 - 90 days	<b>7,053</b>	2,574
Over 90 days	<b>47,657</b>	17,674
	<b>154,363</b>	92,394

## 11. SHARE 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 2004 (Unaudited) HK\$'000</b>	31 December 2003 (Audited) HK\$'000
Authorised:		
10,000,000,000 (31 December 2003: 10,000,000,000) ordinary shares of HK\$0.10 each	<b>1,000,000</b>	1,000,000
Issued and fully paid:		
2,087,985,200 (31 December 2003: 2,010,185,200) ordinary shares of HK\$0.10 each	<b>208,799</b>	201,019

**11. SHARE CAPITAL (Continued)**

	<b>Issue share capital</b>	<b>Par value</b>
	'000	HK\$'000
Issued share capital as at 1 January 2004 (Audited)	2,010,185	201,019
Exercise of share options (Note)	<u>77,800</u>	<u>7,780</u>
Share capital as at 30 June 2004 (Unaudited)	<u>2,087,985</u>	<u>208,799</u>

Note: During the Period, 77,800,000 share options were exercised which resulted in the issue of 77,800,000 ordinary shares of the Company amounting to HK\$7,780,000 and share premium of HK\$113,520,000. No significant issue expenses have been noted.

**12. CONTINGENT LIABILITIES**

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

At 30 June 2004, 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\$371,535,000 (31 December 2003: HK\$343,800,000).

# Notes to Condensed Consolidated Financial Statements

30 June 2004

## 13. LITIGATION

A subsidiary of the Group is currently a defendant in a lawsuit brought against them by an existing customer for an alleged breach of certain sales contracts. The directors of the Company, based on the advice from the Group's legal counsel, consider that adequate provisions have been made in the financial statements for such potential liabilities including the related legal and other costs arising from the litigation. As at the balance sheet date and as of the date of this report, the litigation has not been released.

## 14. COMMITMENTS

The Group had capital commitments as follows:

	<b>30 June 2004 (Unaudited) HK\$'000</b>	31 December 2003 (Audited) HK\$'000
Contracted, but not provided for:		
Leasehold buildings	<b>194,619</b>	354,673
Plant and machinery	<b>11,295</b>	23,121
	<b>205,914</b>	377,794
Authorised but not contracted for:		
Capital contributions payable to subsidiaries	<b>93,000</b>	162,429
	<b>298,914</b>	540,223

## 15. RELATED PARTY TRANSACTIONS

- (i) During the Period, the Group sold goods and charged utility costs to a jointly-controlled entity amounting to approximately HK\$22,104,000 (Period ended 30 June 2003: Nil) and HK\$2,890,000 (Period ended 30 June 2003: Nil), respectively. These sales were made at prices which are comparable to the prices offered to other customers of the Group. The utility costs were charged based on the actual costs incurred.
- (ii) At 30 June 2004, the Company, together with the joint venture partner, has issued guarantees to secure certain of the jointly-controlled entity's bank loans aggregating HK\$30,225,000 (31 December 2003: HK\$30,225,000). As at the balance sheet date, no bank loans had been utilised by this jointly-controlled entity (31 December 2003: Nil).

## 16. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 1 September 2004.