

33. COMMITMENTS

Capital commitments

	GROUP	
	2000	1999
	HK\$'000	HK\$'000
Capital commitments contracted for in respect of properties and plant	72,924	62,498

Other than disclosed above, neither the Group nor the Company had any significant capital and operating lease commitments at the balance sheet date.

34. CONNECTED AND RELATED PARTY TRANSACTIONS

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

		GROUP	
		2000	1999
	<i>Notes</i>	HK\$'000	HK\$'000
Transactions with fellow subsidiaries:			
Sales of goods	(i)	8,967	32,277
Purchases of goods	(i)	745,859	41,210
Freight charges and commission paid	(i)	11,339	2,037
Rental income	(i)	7,241	13,719
Hotel management fee expense	(ii)	8,997	7,957
Building management fee	(i)	2,639	1,951
Interest expense paid	(iii)	1,904	–
Transactions with a holding company:			
Interest expense	(iv)	3,564	3,465
Operating lease rentals paid	(i)	1,031	1,709
Transactions with ultimate holding company			
Purchases of goods	(i)	15,047	–

34. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

Notes:

- (i) These transactions were carried out at market price or, where no market price was 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) The interest expense arose from the amounts due to fellow subsidiaries which are unsecured, and interest-bearing at a rate of 3.5% - 6% per annum.
- (iv) The interest expense was charged on outstanding principal at HIBOR plus a specified margin.
- (v) In addition to the above, COFCO granted a guarantee in favour of a bank in Mainland China for banking facilities granted to a non wholly-owned subsidiary of the Group at nil consideration. The outstanding bank loan amounted to approximately HK\$46,279,000 at the balance sheet date.

The related party transactions set out under notes (i) and (ii) above also constituted connected transactions disclosable in the financial statements as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

35. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2000 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of issued ordinary share/ registered capital held by the attributable Company to the subsidiaries Group		Principal activities
Bapton Company Limited	Hong Kong	Ordinary HK\$2	100%	100%	Property investment
Beijing Capital Property Development Co., Ltd. [†]	PRC	US\$10,000,000	85%	85%	Property investment
Brunton Holdings Limited	British Virgin Islands	Ordinary US\$1	100%	*100%	Investment holding

35. PRINCIPAL SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of issued ordinary share/ registered capital held by the attributable Company		Principal activities
			subsidiaries	to the Group	
China Foods Holdings Limited ("China Foods")	Bermuda	Ordinary HK\$66,037,103	51%	#51%	Investment holding
China Foods Trading Limited	Hong Kong	Ordinary HK\$10,000,000	100%	#51%	Trading in food products
Dalian Gloria Plaza Hotel Co., Ltd. [†]	PRC	US\$11,200,000	70%	70%	Hotel ownership and operations
Eastbay Oils and Fats Industries (Guangzhou) Co., Ltd. [†]	PRC	RMB55,000,000	84%	#43%	Processing and refining of edible vegetable oil and fats
Gloria Plaza Hotel Ltd. [†]	PRC	US\$18,000,000	65%	65%	Hotel ownership and operations
Glory Duty Investment Limited	Hong Kong	Ordinary HK\$10,000	100%	100%	Property development
Great Spring Properties Limited	Hong Kong/ PRC	Ordinary HK\$2	100%	*100%	Property investment and development
HKVW No.1 Limited	United States of America	Ordinary US\$100	100%	100%	Property investment
Jaytech Properties Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100%	100%	Property investment

35. PRINCIPAL SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of issued ordinary share/ registered capital held by the attributable Company to the subsidiaries Group		Principal activities
Karema Limited	Hong Kong	Ordinary HK\$2	100%	100%	Investment holding
Oriental Rainbow Trading Limited	Western Samoa	Ordinary US\$100	68%	#35%	Trading of edible vegetable oils and fats
Sanya Gloria Resort Limited [△]	PRC	US\$20,000,000	100%	100%	Hotel ownership and operations
Shanghai Top Glory Real Estate Development Co., Ltd. [△]	PRC	US\$25,000,000	100%	100%	Property development
Shenyang Gloria Plaza Co., Ltd. [†]	PRC	US\$14,400,000	65%	65%	Hotel ownership and operations
Shenyang Top Glory Square House Development Co., Ltd. ^{††}	PRC	US\$7,500,000	92.5%	92.5%	Property development
Top Spring Development (Xiamen) Limited	Hong Kong/ PRC	Ordinary HK\$10,000	100%	*100%	Property investment and development
廈門海嘉麵粉有限公司 Xiamen Haijia Flour Mills Co., Ltd. [†]	PRC	RMB71,325,000	60%	# 31%	Manufacture of flour products

35. PRINCIPAL SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of issued ordinary share/ registered capital held by the attributable Company/ subsidiaries		Principal activities
				to the Group	
鄭州海嘉食品有限公司 Zhengzhou Haijia Food Co., Ltd. [†]	PRC	RMB30,000,000	55%	# 28%	Manufacture and marketing of flour products

* Directly held by the Company

△ Wholly foreign-owned enterprise

† Sino-foreign equity joint venture

†† Sino-foreign co-operative joint venture

As detailed in note 38(i), the Group's interest in China Foods will be diluted from 51.13% to 24.5% and the Company will cease to be the controlling shareholder of China Foods

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

36. ASSOCIATES

Particulars of the Group's associates at 31 December 2000 are as follows:

Name	Place of incorporation/ registration and operations	Business structure	Percentage of issued/ registered capital held by the subsidiaries	attributable to the Group	Principal activities
Ermine Silk Company Limited	Hong Kong/ PRC	Corporate	49%	#25%	Processing and refining of edible vegetable oils and fats
Shenzhen Shangri-La Hotel Limited	PRC	Corporate	20.7%	20.7%	Hotel ownership and operations
China Great Wall Wine Co., Ltd.	PRC	Corporate	25%	#12.8%	Production of wine and beverage products

As detailed in note 38(i), the Group's interest in China Foods will be diluted from 51.13% to 24.5% and the Company will cease to be the controlling shareholder of China Foods.

37. JOINTLY CONTROLLED ENTITIES

Particulars of the Group's jointly controlled entities at 31 December 2000 are as follows:

Name	Business structure	Principal place of operations	Registered capital	Percentage of registered capital held by the Group	Share of profit entitlement	Principal activities
Shenzhen Xin An Lake Industry Company Limited	Corporate	PRC	RMB92,000,000	100%	40-45%	Property development and letting
Shenzhen Xin An Lake Properties Management Co., Ltd.	Corporate	PRC	RMB3,000,000	40%	40%	Property management
Beijing Railway Culture Plaza Co., Ltd. ("BRCP")	Corporate	PRC	US\$5,000,000	100%	Note	Property investment

37. JOINTLY CONTROLLED ENTITIES (Cont'd)

Note: According to the terms of the agreement, the Group is entitled to all profits and is responsible for all losses of BRCP for the first 9 years of operations commencing from 1999 after paying a fixed sum to the other joint venture partner. Thereafter, the Group has a 45% share of the operating results for the remaining joint venture period.

38. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events took place:

- (i) On 30 January 2001, China Foods entered into a sale and purchase agreement with COFCO and COFCO (Hong Kong) Limited ("COFCO HK"), a wholly-owned subsidiary of COFCO, to purchase from COFCO HK the entire issued share capital of each of COFCO Oils & Fats Holdings Limited ("COFCO Oils & Fats") and COFCO Wines & Spirits Holdings Limited for a total consideration of HK\$1,108.25 million (the "Acquisitions"). The consideration payable will be satisfied in full by the issue of 692,656,250 new shares of China Foods at HK\$1.60 per share.

On the same day, China Foods entered into another sale and purchase agreement with COFCO HK and COFCO to procure COFCO Oils & Fats to purchase from COFCO HK the entire issued share capital of COFCO (BVI) No.36 Limited for a consideration of HK\$38.7 million (the "Great Ocean Acquisition"). The consideration payable will be satisfied in full by the issue of 24,202,697 new shares of China Foods at HK\$1.60 per share.

The Acquisitions and the Great Ocean Acquisition were approved by the independent shareholders of China Foods and the Company at the extraordinary general meeting held on 19 March 2001. Upon completion of the Acquisitions and the Great Ocean Acquisition, the Group's interest in China Foods will be diluted from 51.13% to 24.5% and the Company will cease to be the controlling shareholder of China Foods. As stated in the Company's circular dated 22 February 2001, the pro forma loss on deemed disposal of China Foods is HK\$140,949,000.

- (ii) On 31 January 2001, the Group granted an option to COFCO HK to acquire 337,637,002 shares in China Foods, representing the Group's entire beneficial shareholding in China Foods for a cash consideration of HK\$1.5 million. The option is exercisable by COFCO HK within 2 years and the exercise price will be equivalent to the average of the closing prices of China Foods for the ten trading days immediately prior to the exercise subject to a minimum price of HK\$2.5 per share.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of Directors on 6 April 2001.