

Notes to the Financial Statements

For the year ended 31 December 2001

1. CORPORATE INFORMATION

During the year, the Group was engaged in food processing and related businesses which include edible oils, wineries, trading, confectionery and flour milling.

As detailed in note 26 to the financial statements, following the issue of new shares during the year, Top Glory International Holdings Limited ceased to be the holding company of the Company. At the balance sheet date, the Company is a subsidiary of COFCO (Hong Kong) Limited (“COFCO (HK)”), a company incorporated in Hong Kong. In the opinion of the Directors, the ultimate holding company is China National Cereals, Oils & Foodstuffs Import & Export Corporation (“COFCO”), which is registered in the People’s Republic of China (the “PRC”).

Pursuant to a special resolution of the Company passed on 19 March 2001, the Company changed its name from China Foods Holdings Limited to COFCO International Limited with effect from 16 May 2001.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”)

The following recently-issued and revised SSAPs and related interpretations are effective for the first time for the current year’s financial statements:

SSAP 9 (Revised)	Events after the balance sheet date
SSAP 14 (Revised)	Leases
SSAP 18 (Revised)	Revenue
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries
Interpretation 12	Business combinations – subsequent adjustment of fair values and goodwill initially reported
Interpretation 13	Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against / credited to reserves

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group’s accounting policies and on the amounts disclosed in these financial statements of those SSAPs which have had a significant effect on the financial statements, are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this new SSAP is detailed in note 12 to the financial statements.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) (cont'd)

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are set out in note 30 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. The adoption of the SSAP has resulted in a prior year adjustment, further details of which are included in note 15 to the financial statements. The required new additional disclosures are included in notes 15 and 27 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

In addition to the above new and revised SSAPs, certain minor revisions to SSAP 17 are effective for the first time for the current year's financial statements. The only significant effect of these revisions for these financial statements is that impairment losses on fixed assets are aggregated with accumulated depreciation in note 14 to the financial statements, whereas previously they were deducted from the cost of the relevant asset. This disclosure reclassification has had no effect on the net carrying amount of fixed assets in the balance sheet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of certain investments and investment properties as further explained below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which the Company is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 20 years and management contract period of 10 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 January 2001, to remain eliminated against reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Goodwill (cont'd)

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and associates represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the profit and loss account on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In prior years, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits negative goodwill on acquisitions which occurred prior to 1 January 2001, to remain credited to the capital reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of assets (cont'd)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment properties and construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset, other than construction in progress, over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the remaining lease terms
Buildings	2.8% to 16.2%
Plant, machinery and equipment	4.5% to 25%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction incurred during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Long term investments

Long term investments are investments which are intended to be held on a continuing basis, and which are held for an identified long term purpose documented at the time of acquisition or change of purpose and are clearly identifiable for the documented purpose. Long term investments are included in the balance sheet at cost less amortisation/impairment losses, assessed by the Directors on an individual basis.

Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

The profit or loss on disposal of long term investments is accounted for in the period in which the disposal occurs as the difference between the net sales proceeds and the carrying amount of the investments.

Other investments

Other investments are those which are not classified as long term investments, and are stated at fair value, assessed by the Directors, at the balance sheet date. Unrealised holding gains or losses arising from changes in fair value are dealt with in the profit and loss account in the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Other investments (cont'd)

The profit or loss on disposal of other investments is accounted for in the period in which the disposal occurs as the difference between the net sales proceeds and the carrying amount of the investment, except in the case where the investee company was previously a subsidiary or an associate of the Company and there was reserve attributable to this investee company, in which case the relevant portion of reserve attributable to the disposal is also released to the profit and loss account.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Trade debtors

Trade debtors, which generally have credit terms of 30 to 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.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rental income, in the period in which the properties are let and on the straight-line basis over the lease terms;
- (c) agency commission and reimbursement of advertising expenses, on an accrual basis;
- (d) from the rendering of services, in the period in which the services are rendered;
- (e) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (f) dividends, when the shareholders' right to receive payment is established;
- (g) proceeds from the sale of other investments, on the transaction dates when the relevant contract notes are exchanged;
- (h) tax refunds, when the acknowledgement of refund from the tax bureau is received; and
- (i) government subsidy, on a cash basis.

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends are approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Dividends (cont'd)

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet.

The revised accounting treatment for dividends, resulting from the adoption of SSAP 9 (Revised), has given rise to a prior year adjustment, further details of which are included in note 12 to the financial statements.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of subsidiaries and associates denominated in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Retirement benefits scheme

Retirement benefits are provided to certain staff employed by the Group. In accordance with the Mandatory Provident Fund Schemes Ordinance, the Group's Hong Kong employees enjoy retirement benefits under either the Mandatory Provident Fund Exempted ORSO Scheme, or the newly set-up Mandatory Provident Fund Scheme (operating since 1 December 2000) under which employer contributions have to be made. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to both schemes are at a maximum of 10% of the monthly salaries of the employees. When an employee leaves the Mandatory Provident Fund Exempted ORSO Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. However, in respect of the Mandatory Provident Fund Scheme, the forfeited amounts are refundable to the Group when the members leave employment prior to the vesting of any employer voluntary contributions. The Group's mandatory contributions are fully vested with the employees when the employees leave the scheme.

Prior to the Mandatory Provident Fund Schemes Ordinance becoming effective, the Group operated a defined contribution retirement benefits scheme for those employees who were eligible and had elected to participate in the scheme. The assets of the scheme were held separately from those of the Group in an independently administered fund. Contributions were made based on a percentage of the participating employees' basic salaries and were charged to the profit and loss account as they become payable in accordance with the rules of the scheme. When an employee left the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Retirement benefits scheme (cont'd)

In addition, the employees of the Group's subsidiaries which operate in the PRC are required to participate in the central pension scheme which is operated by the relevant authorities of the provinces/municipalities in the PRC in which the Group's subsidiaries are located. The Group contributes to these schemes in respect of its employees in the PRC and such costs are charged to the profit and loss account as incurred.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or to exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two 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 and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the edible oils segment engages in the extracting, refining and trading of edible oils and the related businesses;
- (b) the wineries segment engages in the production, sales and trading of grape wine and other relevant beverage products;
- (c) the trading segment engages in the trading of food, animal feedstock, agricultural and aquatic products, and the provision of customer management services and market information of certain cereals, oils, and foodstuff industries;
- (d) the confectionery segment engages in the production and distribution of chocolate products;

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

4. SEGMENT INFORMATION (cont'd)

- (e) the flour milling segment engages in the flour milling business; and
- (f) the corporate and others segment comprises the Group's corporate income and expense items.

In determining the Group's geographical segments, revenues, results and assets are attributed to the segments based on the location of the production or service facilities.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group	Edible oils		Wineries		Trading		Confectionery		Flour milling		Corporate and others		Consolidated	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000								
Segment revenue:														
Sales to external customers	3,246,134	233,812	248,920	-	2,340,632	778,502	43,241	-	326,503	284,791	-	817	6,205,430	1,297,922
Segment results	194,436	(27,687)	51,029	(4)	39,047	7,960	576	-	9,097	11,190	(20,005)	(11,702)	274,180	(20,243)
Interest and dividend income													59,063	62,120
Unallocated gains and expenses, net													5,353	24,078
Profit from operating activities													338,596	65,955
Finance costs													(32,657)	(5,703)
Share of profits less losses of associates	31,177	31,958	(5,589)	8,273	-	-	-	-	-	-	-	-	25,588	40,231
Profit before tax													331,527	100,483
Tax													(34,027)	(8,499)
Profit before minority interests													297,500	91,984
Minority interests													(85,734)	(1,552)
Net profit from ordinary activities attributable to shareholders													211,766	90,432

Group	Edible oils		Wineries		Trading		Confectionery		Flour milling		Corporate and others		Eliminations		Consolidated	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000								
Segment assets	2,360,557	198,492	542,228	2,337	986,261	37,895	183,835	-	184,743	156,856	22,922	12,999	-	-	4,280,546	408,579
Interests in associates	248,324	174,052	73,531	42,041	-	-	-	-	-	-	-	25	-	-	321,855	216,118
Unallocated assets															1,301,530	1,092,210
Total assets	2,608,881	372,544	615,759	44,378	986,261	37,895	183,835	-	184,743	156,856	22,922	13,024	-	-	5,903,931	1,716,907
Segment liabilities	655,566	582,218	125,053	5,448	406,418	92,721	46,062	-	138,758	127,946	32,757	39,536	(575,567)	(690,113)	829,047	157,756
Unallocated liabilities															1,171,300	44,133
Total liabilities	655,566	582,218	125,053	5,448	406,418	92,721	46,062	-	138,758	127,946	32,757	39,536	(575,567)	(690,113)	2,000,347	201,889
Other segment information:																
Depreciation and amortisation	47,664	6,541	8,658	-	4,610	35	176	-	5,541	6,723	1,690	1,797	-	-	68,339	15,096
Other non-cash expenses	500	1,131	286	-	2,306	-	482	-	941	6,802	11,229	6,278	-	-	15,744	14,211
Capital expenditure	170,710	3,226	28,830	-	770	15	148	-	4,089	2,976	560	110	-	-	205,107	6,327

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

4. SEGMENT INFORMATION (cont'd)

(b) Geographical segments

The following tables present revenue, profit/(loss) and certain asset and expenditure information for the Group's geographical segments.

Group	Hong Kong		Elsewhere in the PRC		Eliminations		Consolidated	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Segment revenue:								
Sales to external customers	1,978,874	778,502	4,226,556	519,420	–	–	6,205,430	1,297,922
Segment results	4,626	9,206	274,907	(5,371)	–	–	279,533	3,835

Group	Hong Kong		Elsewhere in the PRC		Eliminations		Consolidated	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Other segment information:								
Segment assets	1,747,318	1,642,897	4,973,903	779,237	(817,290)	(705,227)	5,903,931	1,716,907
Capital expenditure	1,024	27	204,083	6,300	–	–	205,107	6,327

5. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

An analysis of other revenue and gains is as follows:

	2001 HK\$'000	2000 HK\$'000
Other revenue		
Sales of by-products and scrap items	15,115	1,228
Rental income	2,476	–
Agency commission	2,713	–
Management fee income from COFCO	3,620	–
Interest income	57,629	58,050
Dividends from an unlisted long term investment and listed equity securities	1,434	4,070
Tax refunds	5,486	–
Reimbursement of advertising expenses	14,092	–
Government subsidy	1,520	–
Others	10,008	2,356
	114,093	65,704
Gains		
Gain on disposal of other investments	–	12,457
Gain on trading of hedged commodity future contracts	12,564	1,524
	12,564	13,981
	126,657	79,685

Notes to the Financial Statements (cont'd)

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6. PROFIT FROM OPERATING ACTIVITIES

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

	2001	2000
	HK\$'000	HK\$'000
Cost of inventories sold	5,690,772	1,279,380
Auditors' remuneration	2,275	1,068
Depreciation	57,276	13,696
Loss on disposal of fixed assets	694	331
Loss on disposal of long term investments	283	–
Amortisation of a long term investment	1,400	1,400
Minimum lease payments under operating leases in respect of land and buildings	5,746	1,239
Deficit on revaluation of investment properties	319	–
Staff costs (including Directors' remuneration – note 8):		
Wages and salaries	74,253	16,552
Retirement benefits scheme contributions	3,494	1,273
Less: Forfeited contributions	–	(448)
Net retirement benefits contributions*	3,494	825
	77,747	17,377
Other operating expenses/(income), net, including:		
Amortisation of goodwill	10,229	–
Negative goodwill recognised as income	(566)	–
Provision for impairment in values of fixed assets	–	4,855
Loss on disposal of a subsidiary	1,739	971
Loss on disposal of an associate	8,910	–
Provision for doubtful debts	2,878	6,419
Provision for impairment in values of listed equity securities	581	642
Write-back of provision for impairment in values of long term investments	(6,753)	(13,021)
Unrealised holding gains on listed debt securities	(2,637)	–
Provision/(write-back of provision) against inventories	345	(9,572)
Exchange gains, net	(1,555)	(3,632)
Gross and net rental income	(2,476)	–

* At 31 December 2001, no forfeited contributions were available to the Group to reduce its contributions to the retirement benefits scheme in future years (2000: Nil).

Notes to the Financial Statements (cont'd)

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7. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on:		
Bank loans wholly repayable within five years	26,689	2,777
Bank loans not wholly repayable within five years	–	196
Loan from a minority shareholder of a subsidiary	759	826
Loan from ultimate holding company	1,840	–
Amount due to fellow subsidiaries	2,280	1,904
Convertible notes	1,089	–
	32,657	5,703

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Companies Ordinance are as follows:

	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive Directors	1,600	700
Independent non-executive Directors	400	300
	2,000	1,000
Other emoluments to Executive Directors:		
Salaries, allowances and benefits in kind	2,370	1,632
Bonuses	–	80
Retirement benefits scheme contributions	121	90
	2,491	1,802
	4,491	2,802

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

8. DIRECTORS' REMUNERATION (cont'd)

The remuneration of the Directors fell within the following bands:

	Number of Directors	
	2001	2000
Nil – HK\$1,000,000	9	9
HK\$1,500,001 – HK\$2,000,000	1	1
	10	10

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

During the year, 19,850,000 share options were granted to the Directors in respect of their services to the Group, further details of which are included in the disclosures set out under the section headed "Share Option Scheme" in the Report of the Directors on pages 22 to 24. No value in respect of the share options granted during the year has been charged to the profit and loss account.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2000: one) Directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2000: four) non-Director, highest paid employees are as follows:

	2001	2000
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	1,610	1,596
Bonuses	–	40
Retirement benefits scheme contributions	76	63
	1,686	1,699

The remuneration of each of the non-Director, highest paid employees fell within the band of HK\$1,000,000.

During the year, 960,000 share options were granted to the three non-Directors, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures set out under the section headed "Share Option Scheme" in the Report of the Directors on pages 22 to 24. No value in respect of the share options granted during the year has been charged to the profit and loss account.

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere 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.

	2001	2000
	HK\$'000	HK\$'000
Group:		
Hong Kong	3,950	1,277
Elsewhere in the PRC	24,174	–
Under-provision in prior year	–	32
	28,124	1,309
Share of tax attributable to associates:		
Hong Kong	–	1,073
Elsewhere in the PRC	5,903	6,117
	5,903	7,190
Tax charge for the year	34,027	8,499

There was no material unprovided deferred tax for the year (2000: Nil).

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2001 dealt with in the financial statements of the Company is HK\$219,966,000 (2000: HK\$42,107,000).

12. DIVIDENDS

	2001	2000
	HK\$'000	HK\$'000
Interim – 4 HK cents (2000: 3 HK cents) per share	62,769	19,811
Proposed final – 5 HK cents (2000: 4 HK cents) per share	78,461	26,415
	141,230	46,226

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. DIVIDENDS (cont'd)

During the year, the Group adopted the revised SSAP 9 “Events after the balance sheet date”, as detailed in note 2 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended 31 December 2000 of HK\$26,415,000, which was recognised as a current liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Group’s and the Company’s current liabilities and increase the reserves previously reported as at 31 December 2000, by HK\$26,415,000.

The effect of this change in accounting policy as at 31 December 2001, is that the current year’s proposed final dividend of HK\$78,461,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date, whereas in previous years it would have been recognised as a current liability at the balance sheet date.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$211,766,000 (2000: HK\$90,432,000) and the weighted average number of 1,210,154,749 (2000: 660,371,027) shares in issue during the year.

The calculation of diluted earnings per share is based on (i) the adjusted net profit attributable to shareholders of HK\$212,680,000 after taking into account the saving in finance costs of HK\$914,000 on the convertible notes; and (ii) the adjusted weighted average of 1,235,469,817 shares after taking into account the weighted average number of shares in issue during the year, as used in the basic earnings per share calculation; and the weighted average of 25,315,068 shares assumed to have been issued on deemed conversion of convertible notes at the date of issue of such convertible notes. The share options outstanding during the year had an anti-dilutive effect on the basic earnings per share.

Diluted earnings per share for the year ended 31 December 2000 has not been disclosed, as the share options outstanding had an anti-dilutive effect on the basic earnings per share for that year.

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

14. FIXED ASSETS

	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Group Plant, machinery and equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000	Company Plant and equipment HK\$'000
Cost or valuation:						
As previously reported	–	151,068	196,875	2,878	350,821	366
Reclassified to accumulated depreciation and impairment (Note)	–	3,646	1,209	–	4,855	–
As restated	–	154,714	198,084	2,878	355,676	366
Additions	–	11,185	20,004	173,918	205,107	555
Acquisition of subsidiaries	68,871	458,943	623,194	117,684	1,268,692	–
Disposals	–	(108)	(5,606)	–	(5,714)	–
Deficit on revaluation	(319)	–	–	–	(319)	–
Transfer	(4,778)	61,744	46,408	(103,374)	–	–
Exchange realignment	–	1,425	1,809	27	3,261	–
At 31 December 2001	63,774	687,903	883,893	191,133	1,826,703	921
Analysis of cost or valuation:						
At cost	–	687,903	883,893	191,133	1,762,929	921
At 31 December 2001 valuation	63,774	–	–	–	63,774	–
	63,774	687,903	883,893	191,133	1,826,703	921
Accumulated depreciation and impairment:						
As previously reported	–	32,488	69,952	–	102,440	181
Reclassified from cost (Note)	–	3,646	1,209	–	4,855	–
As restated	–	36,134	71,161	–	107,295	181
Provided during the year	–	13,414	43,862	–	57,276	104
Disposals	–	(35)	(3,744)	–	(3,779)	–
Exchange realignment	–	306	638	–	944	–
At 31 December 2001	–	49,819	111,917	–	161,736	285
Net book value:						
At 31 December 2001	63,774	638,084	771,976	191,133	1,664,967	636
At 31 December 2000	–	118,580	126,923	2,878	248,381	185

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

14. FIXED ASSETS (cont'd)

Note: Accumulated impairment losses are aggregated with accumulated depreciation under the revised disclosure requirements of SSAP 17, as detailed in note 2 to the financial statements, whereas previously they were disclosed as an adjustment to the cost of the assets. This change has been disclosed as a retrospective reclassification.

All the Group's investment properties and leasehold land and buildings are held outside Hong Kong under medium term leases.

The Group's investment properties were revalued on 31 December 2001 by Chesterton Petty Limited, independent professional valuers, at HK\$63,774,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 30 to the financial statements.

At 31 December 2001, the Group's investment properties with a value of HK\$60,962,000 (2000: Nil), and certain of the Group's fixed assets with a net book value of approximately HK\$112,515,000 (2000: HK\$107,746,000), were pledged to secure banking facilities granted to the Group (note 23).

15. GOODWILL AND NEGATIVE GOODWILL

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amounts of the goodwill and negative goodwill capitalised as an asset or recognised in the balance sheet, arising from the acquisition of subsidiaries, are as follows:

	Group	
	Goodwill	Negative goodwill
	HK\$'000	HK\$'000
Cost:		
Acquisition of subsidiaries	516,394	(23,798)
Additional investment in a subsidiary	3,028	–
At 31 December 2001	519,422	(23,798)
Accumulated amortisation		
Amortisation provided during the year	10,229	(566)
At 31 December 2001	10,229	(566)
Net book value:		
At 31 December 2001	509,193	(23,232)

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against reserves.

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

15. GOODWILL AND NEGATIVE GOODWILL (cont'd)

Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against reserves for impairment. As a result, the Group has recognised an impairment of part of the goodwill previously eliminated against reserves, of HK\$172,357,000. This change of accounting policy has been accounted for retrospectively as a prior year adjustment in accordance with the transitional provisions of SSAP 30. The result of this has been to reduce the retained profits and increase the capital reserve previously reported as at 1 January 2000, by HK\$172,357,000. This prior year adjustment has had no effect on the results of the current year and of the prior year as previously reported.

The amounts of the goodwill and negative goodwill remaining in capital reserve, arising from the acquisition of subsidiaries and associates prior to 1 January 2001, are as follows:

	Group	
	Goodwill eliminated against capital reserve HK\$'000	Negative goodwill credited to capital reserve HK\$'000
Cost:		
At beginning of year	451,997	(741)
Disposal of a subsidiary	(1,739)	–
Disposal of an associate	(188,361)	–
At 31 December 2001	261,897	(741)
Accumulated impairment:		
As originally stated	–	–
Prior year adjustment	172,357	–
As restated	172,357	–
Net amount:		
At 31 December 2001	89,540	(741)
At 31 December 2000		
As originally stated	451,997	(741)
Prior year adjustment	(172,357)	–
As restated	279,640	(741)

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

16. INTERESTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	2,359,796	524,844
Amounts due from subsidiaries	1,322,296	1,094,725
Amounts due to subsidiaries	(683,487)	(570,263)
	2,998,605	1,049,306
Provision for impairment	(170,000)	(170,000)
	2,828,605	879,306

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date when the Company became the holding company of the Group pursuant to the group reorganisation in 1991 and acquisitions of certain subsidiaries during the year.

During the year, the Group acquired COFCO Oils & Fats Holdings Limited, COFCO Wines & Spirits Holdings Limited, COFCO BVI No. 100 Limited and Prized Development Limited from COFCO (HK). Further details of these acquisitions are included in notes 28 and 32 to the financial statements.

Particulars of the Company's principal subsidiaries at 31 December 2001 are set out in note 33 to the financial statements.

17. INTERESTS IN ASSOCIATES

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	134,931	216,094
Amounts due from associates	2,244	24
Amounts due to associates	(111)	–
Loans to associates	184,791	–
	321,855	216,118

The amounts due from/to associates are unsecured, interest-free and have no fixed terms of repayment.

Except for the loan to an associate amounting to HK\$26,117,000 as at 31 December 2001 which bears interest at 8.5% per annum, the loans to associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Group's principal associates at 31 December 2001 are set out in note 34 to the financial statements.

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

18. INVESTMENTS AND ADVANCE TO AN INVESTEE COMPANY

(a) Long term investments and advance to an investee company

	2001 HK\$'000	Group 2000 HK\$'000
Long term investments:		
Unlisted equity investments, at cost	122,001	121,748
Amortisation of investment cost	(20,765)	(19,365)
Provision for impairment	(45,026)	(51,779)
	56,210	50,604
Advance to an investee company	12,751	12,751

The advance to an investee company is unsecured and interest-free. In the opinion of the Directors, no part of the amount will be repayable within the next twelve months and, accordingly, the amount is shown as non-current.

Particulars of the long term unlisted equity investments as at 31 December 2001 are as follows:

Name of company	Place of registration	Attributable equity interest to the Group	Principal activities
江蘇江山製藥有限公司 Jiangsu Jiangshan Pharmaceutical Company Limited ("JJP") (Note 1)	PRC	28.6	Manufacturing and marketing of pharmaceutical products
江蘇江源熱電有限公司 Jiangsu Jiang Yuan Thermal Power Company Limited ("JJYTP") (Note 2)	PRC	50	Thermal power plant operator

Notes:

- The investment in JJP is not regarded as an associate of the Group because, in the opinion of the Directors, the Group is not in a position to exercise significant influence over the financial and operating policy decisions of JJP.
- JJYTP is a co-operative joint venture for a term of twenty-five years. Sharing of profit during the joint venture period and sharing of net assets at the expiration of the joint venture period are governed by the joint venture contract and are not in proportion to the joint venture partners' equity ratio. In the opinion of the Directors, the Group is not in a position to exercise significant influence over the financial and operating policy decisions of JJYTP. Accordingly, JJYTP is not regarded as an associate of the Group.

In the opinion of the Directors, the above investments are worth at least their carrying values.

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

18. INVESTMENTS AND ADVANCE TO AN INVESTEE COMPANY (cont'd)

(b) Other investments

	2001	Group
	HK\$'000	2000 HK\$'000
Listed equity securities in Hong Kong, at market value	1,679	2,259
Listed debt securities in overseas, at market value	196,186	6,803
	197,865	9,062
Unlisted investments:		
At carrying value	15,566	15,566
Amount due from an investee company	50,871	50,871
Provision for impairment in value	(66,437)	(66,437)
	-	-

Particulars of the unlisted investments at 31 December 2001 are as follows:

Name of company	Place of registration	Attributable equity interest to the Group	Principle activities
鄭州三星肉製品有限公司 Zhengzhou Sanxing Meat Industries Co.,Ltd. (Note)	PRC	55	Meat processing, manufacturing and marketing
鄭州鄭榮食品有限公司 Zhengzhou Zhengrong Foods Co., Ltd. (Note)	PRC	55	Meat processing, manufacturing and marketing
鄭州鄭榮食品有限公司 牛肉製品廠 Zhengzhou Zhengrong Beef Products Co., Ltd. (Note)	PRC	30	Meat processing

Note:

These investments were previously accounted for by the Group as subsidiaries since acquisition up to 31 December 1995. On 1 January 1996, following a hand-over of the management control of these companies to the joint venture partners, the Group is, in the opinion of the Directors, no longer in a position to exercise a significant influence over the financial and operating policy decisions of these companies and it is the intention of the Group to solicit buyers to dispose of these investments. Accordingly, these companies have not been regarded as either subsidiaries or associates of the Group since 1 January 1996, and the investments in these companies have been classified as other investments and carried in the balance sheet of the Group at the carrying value as at 31 December 1995 less provision for impairment in value of the investments, if necessary.

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

19. INVENTORIES

	2001	Group
	HK\$'000	2000 HK\$'000
Raw materials	275,181	32,238
Work in progress	18,775	1,408
Finished goods	418,511	29,177
	712,467	62,823

The carrying amount of inventories carried at net realisable value included in the above is HK\$298,000 (2000: HK\$17,724,000).

20. TRADE DEBTORS

The trade debtors of the Group include trading balances due from an associate and a fellow subsidiary of HK\$44,349,000 (2000: Nil).

The ageing analysis of trade debtors balance is as follows:

	2001	Group
	HK\$'000	2000 HK\$'000
Outstanding balances with ages:		
Within 6 months	316,886	7,915
Between 7 to 12 months	2,111	28
Between 1 to 2 years	3,300	1,852
Over 2 years	11,556	1,698
	333,853	11,493
Less: Provision for doubtful debts	(11,146)	(3,472)
	322,707	8,021

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

21. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	GROUP		COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	709,582	50,910	5,257	10,626
Time deposits	1,034,704	1,019,606	777,772	784,493
	1,744,286	1,070,516	783,029	795,119
Less: Pledged bank deposits	(5,442)	(9,589)	–	–
Cash and cash equivalents	1,738,844	1,060,927	783,029	795,119

22. ACCOUNTS PAYABLE

The accounts payable of the Group include trading balances due to the ultimate holding company and fellow subsidiaries of HK\$6,879,000 (2000: HK\$1,186,000).

The ageing analysis of accounts payable balance is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Outstanding balances with ages:		
Within 6 months	217,402	20,430
Between 7 to 12 months	1,869	587
Between 1 to 2 years	1,993	1,768
Over 2 years	8,788	8,777
	230,052	31,562

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

23. INTEREST-BEARING BANK LOANS AND OTHER LOANS

	2001 HK\$'000	Group 2000 HK\$'000
Bank loans:		
Secured	49,756	42,594
Unsecured	714,705	–
	764,461	42,594
Other loans:		
Unsecured	81,368	–
	845,829	42,594
Bank loans repayable:		
Within one year or on demand	758,414	34,890
In the second year	1,728	1,712
In the third to fifth years, inclusive	4,319	5,136
Beyond five years	–	856
	764,461	42,594
Other loans repayable:		
In the second year	4,717	–
Beyond five years	76,651	–
	81,368	–
	845,829	42,594
Portion classified as current liabilities	(758,414)	(34,890)
Non-current portion	87,415	7,704

The Group's bank loans 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 (2000: Nil) (note 14);
- (b) a charge over certain fixed assets of the Group with a net book value of approximately HK\$112,515,000 (2000: HK\$107,746,000) (note 14); and
- (c) pledge of bank deposits of approximately HK\$5,442,000 (2000: HK\$9,589,000) (note 21).

In addition, the ultimate holding company and an associate of the Group have guaranteed certain of the Group's unsecured bank loans up to HK\$76,415,000 (2000: Nil) and HK\$192,453,000 (2000: Nil), respectively, as at the balance sheet date.

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

24. CONVERTIBLE NOTES

The convertible notes are payable to COFCO (HK) and were issued in connection with acquisition of certain subsidiaries during the year, further details of which are set out in notes 28 and 32 to the financial statements. 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 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.

25. MINORITY INTERESTS

	2001	2000
	HK\$'000	HK\$'000
Share of net assets attributable to minority shareholders	538,096	39,180
Advances from minority shareholders	103,769	28,356
	641,865	67,536

Except for an advance from a minority shareholder of Zhengzhou Haijia Food Co., Ltd., a subsidiary of the Company, of HK\$11,792,000 (2000: HK\$11,682,000) which bears interest at 6.4% (2000: 6.4%) per annum, the advances are unsecured, interest-free and have no fixed terms of repayment.

26. SHARE CAPITAL

Shares

	2001	2000
	HK\$'000	HK\$'000
Authorised:		
2,500,000,000 (2000: 900,000,000) ordinary shares of HK\$0.10 each	250,000	90,000
Issued and fully paid:		
1,569,229,974 (2000: 660,371,027) ordinary shares of HK\$0.10 each	156,923	66,037

26. SHARE CAPITAL (cont'd)

Shares (cont'd)

During the year, the following movements in share capital were recorded:

- (a) Pursuant to an ordinary resolution passed on 19 March 2001, the authorised share capital of the Company was increased from HK\$90,000,000 to HK\$250,000,000 by the creation of an additional 1,600,000,000 shares of HK\$0.10 each, ranking *pari passu* in all respects with the existing share capital of the Company.
- (b) In May and June 2001, 52,000,000 and 140,000,000 shares of HK\$0.10 each in the share capital of the Company were placed to independent investors at HK\$1.65 and HK\$1.975 per share, respectively. The net proceeds of approximately HK\$353,689,000 have been used for general corporate purposes and for financing part of the consideration payable for the Company's acquisition of certain subsidiaries, further details of which are set out in notes 28 and 32 to the financial statements.
- (c) In May 2001, 692,656,250 shares were issued to COFCO (HK) at HK\$1.60 per share for the acquisition of certain subsidiaries, further details of which are set out in notes 28(d) and 32 to the financial statements.
- (d) In September 2001, 24,202,697 shares were issued to COFCO (HK) at HK\$1.60 per share for the acquisition of the entire interest of COFCO (BVI) No.36 Limited by COFCO Oils & Fats Holdings Limited, a wholly-owned subsidiary of the Company.

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the section headed "Share Option Scheme" in the Report of the Directors on pages 22 to 24.

Share options expiring on or before 12 February 2003

At the beginning of the year, there were 12,400,000 share options outstanding which entitled (i) the holder of 400,000 share options to subscribe for shares of the Company at any time from 5 February 1998 to 4 February 2003; (ii) the holder of 2,000,000 share options to subscribe for shares of the Company at any time from 7 February 1998 to 6 February 2003; and (iii) the holders of 10,000,000 share options to subscribe for shares of the Company at any time from 13 February 1998 to 12 February 2003. The subscription price payable upon the exercise of each share option is HK\$2.156. No share options were exercised during the year. The exercise in full of the share options outstanding as at 31 December 2001 would result in the issue of additional 12,400,000 shares of the Company and cash proceeds, before the related issue expenses, of approximately HK\$26,734,000.

26. SHARE CAPITAL (cont'd)

Share options (cont'd)

Share options expiring on 4 March 2006

On 5 March 2001, the Company granted 20,650,000 share options under the Scheme. The share options granted entitled the holders to subscribe for shares of the Company at any time from 5 March 2002 to 4 March 2006. The subscription price payable upon the exercise of each share option is HK\$1.368. No share options were exercised during the year. The exercise in full of the share options outstanding as at 31 December 2001 would result in the issue of additional 20,650,000 shares of the Company and cash proceeds, before the related issue expenses, of approximately HK\$28,249,000.

Share options expiring on 22 March 2006

On 23 March 2001, the Company granted 16,000,000 share options under the Scheme. The share options granted entitled the holders to subscribe for shares of the Company at any time from 23 March 2002 to 22 March 2006. The subscription price payable upon the exercise of each share option is HK\$1.368. No share options were exercised during the year. The exercise in full of the share options outstanding as at 31 December 2001 would result in the issue of additional 16,000,000 shares of the Company and cash proceeds, before the related issue expenses, of approximately HK\$21,888,000.

Share options expiring on 2 October 2006

On 3 October 2001, the Company granted 1,000,000 share options under the Scheme. The share options granted entitled the holders to subscribe for shares of the Company at any time from 3 October 2002 to 2 October 2006. The subscription price per share payable upon the exercise of these options is HK\$1.37. No share options were exercised during the year. The exercise in full of the share options outstanding as at 31 December 2001 would result in the issue of additional 1,000,000 shares of the Company and cash proceeds, before the related issue expenses, of approximately HK\$1,370,000.

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

27. RESERVES

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 January 2000	1,004,011	(220,282)	1,196	297	11,632	2,124	519,497	1,318,475
Prior year adjustment:								
Impairment of goodwill (note 15)	-	172,357	-	-	-	-	(172,357)	-
As restated	1,004,011	(47,925)	1,196	297	11,632	2,124	347,140	1,318,475
Release upon partial disposal of other investments	-	(6,433)	(974)	(242)	-	(2)	-	(7,651)
Transfer from retained profits	-	-	-	-	4,470	-	(4,470)	-
Profit for the year	-	-	-	-	-	-	90,432	90,432
Dividends (note 12)	-	-	-	-	-	-	(46,226)	(46,226)
At 31 December 2000 and beginning of year	1,004,011	(54,358)	222	55	16,102	2,122	386,876	1,355,030
Issue of shares	1,418,388	-	-	-	-	-	-	1,418,388
Share issue expenses	(8,611)	-	-	-	-	-	-	(8,611)
Exchange realignment	-	-	-	-	-	892	-	892
Goodwill written back on disposal of:								
A subsidiary (note 15)	-	1,739	-	-	-	-	-	1,739
An associate (note 15)	-	188,361	-	-	-	-	-	188,361
Transfer from retained profits	-	-	-	-	4,012	-	(4,012)	-
Profit for the year	-	-	-	-	-	-	211,766	211,766
Dividends (note 12)	-	-	-	-	-	-	(141,230)	(141,230)
At 31 December 2001	2,413,788	135,742	222	55	20,114	3,014	453,400	3,026,335
Reserves retained by:								
Company and subsidiaries	2,413,788	138,251	-	-	14,985	3,366	456,445	3,026,835
Associates	-	(2,509)	222	55	5,129	(352)	(3,045)	(500)
At 31 December 2001	2,413,788	135,742	222	55	20,114	3,014	453,400	3,026,335
Company and subsidiaries	1,004,011	(51,849)	-	-	1,971	2,871	324,187	1,281,191
Associates	-	(2,509)	222	55	14,131	(749)	62,689	73,839
At 31 December 2000	1,004,011	(54,358)	222	55	16,102	2,122	386,876	1,355,030

* Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of certain of the Company's subsidiaries and associates in the PRC has been transferred to reserve funds which are restricted as to use.

The Group's capital reserve includes the contributed surplus which represents the excess value of the shares acquired over the nominal value of the Company's shares issued in exchange therefor under the group reorganisation in 1991, less the goodwill arising on acquisition of subsidiaries and associates remaining eliminated against capital reserve, as explained in note 15 to the financial statements.

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

27. RESERVES (cont'd)

Company	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2000	1,004,011	498,184	84,967	1,587,162
Profit for the year	–	–	42,107	42,107
Dividends (note 12)	–	–	(46,226)	(46,226)
At 31 December 2000 and 1 January 2001	1,004,011	498,184	80,848	1,583,043
Issue of shares	1,418,388	–	–	1,418,388
Share issue expenses	(8,611)	–	–	(8,611)
Profit for the year	–	–	219,966	219,966
Dividends (note 12)	–	–	(141,230)	(141,230)
At 31 December 2001	2,413,788	498,184	159,584	3,071,556

The contributed surplus of the Company represents the difference between the underlying net assets of Seabase International (B.V.I.) Limited and its subsidiaries and the nominal value of the Company's shares issued in exchange therefor under the group reorganisation in 1991.

In addition to the retained profits of the Company, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is also available for distribution to its shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of its contributed surplus if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

The Company's reserves available for distribution to shareholders as at 31 December 2001 amounted to HK\$657,768,000 (2000: HK\$579,032,000).

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2001 HK\$'000	2000 HK\$'000
Profit from operating activities	338,596	65,955
Provision for impairment in value of listed equity securities	581	642
Amortisation of a long term investment	1,400	1,400
Depreciation	57,276	13,696
Amortisation of goodwill	10,229	–
Deficit on revaluation of investment properties	319	–
Loss on disposal of a subsidiary	1,739	971
Loss on disposal of an associate	8,910	–
Loss on disposal of fixed assets	694	331
Loss on disposal of long term investment	283	–
Provision for impairment in values of fixed assets	–	4,855
Provision/(write-back of provision) against inventories	345	(9,572)
Write-back of provision for impairment in value of long term investments	(6,753)	(13,021)
Unrealised holding gains on listed debt securities	(2,637)	–
Negative goodwill recognised as income	(566)	–
Dividend from an unlisted long term investment and listed equity securities	(1,434)	(4,070)
Interest income	(57,629)	(58,050)
Gain on disposal of other investments	–	(12,457)
Decrease/(increase) in inventories	(190,956)	57,610
Decrease/(increase) in trade debtors	(99,952)	15,300
Decrease in other debtors, prepayments and deposits	17,131	25,019
Increase in amounts due from fellow subsidiaries	(14,544)	(10,233)
Decrease in amounts due from holding company	–	1,124
Decrease in amounts due from related companies	311,772	–
Increase/(decrease) in accounts payable	27,081	(24,495)
Increase in other payables and accruals	91,777	9,311
Increase/(decrease) in amounts due to fellow subsidiaries	(89,261)	42,772
Increase in amount due to immediate holding company	20,117	699
Decrease in amounts due to related companies	(8,520)	(68)
Decrease in amounts due to ultimate holding company	(7,146)	–
Net cash inflow from operating activities	408,852	107,719

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(b) Analysis of changes in financing during the year

	Issued capital (including share premium) HK\$'000	Bank and other loans HK\$'000	Convertible notes HK\$'000	Minority interests HK\$'000
At 1 January 2000	1,070,048	38,979	–	72,973
Cash inflow/(outflow) from financing activities, net	–	3,615	–	(6,511)
Share of profit after tax of subsidiaries	–	–	–	1,552
Disposal of subsidiaries	–	–	–	(478)
At 31 December 2000 and beginning of year	1,070,048	42,594	–	67,536
Cash inflow from financing activities, net	353,689	42,409	–	6,757
Arising from acquisition of subsidiaries	1,146,974	760,424	301,000	488,403
Additional investment in a subsidiary	–	–	–	(6,918)
Share of profit after tax of subsidiaries	–	–	–	85,734
Share of reserves	–	–	–	353
Exchange realignment	–	402	–	–
At 31 December 2001	2,570,711	845,829	301,000	641,865

(c) Major non-cash transactions

- (i) During the year, the Group acquired certain subsidiaries by the issue of shares and convertible notes. Further details are set out in notes 26 and 28(d) to the financial statements.
- (ii) During the year, certain amounts due to minority shareholders of a subsidiary of approximately HK\$125,884,000 were capitalised as paid-up capital of these subsidiaries.

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(d) Acquisition of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Fixed assets	1,268,692	–
Interests in associates	267,006	–
Long term investments	536	–
Inventories	459,033	–
Cash and bank balances	458,284	–
Trade debtors	214,734	–
Other debtors, prepayments and deposits	249,702	–
Amounts due from related companies	411,977	–
Amount due from immediate holding company	12,146	–
Accounts payable	(171,409)	–
Other payables and accruals	(317,134)	–
Amount due to fellow subsidiaries	(6,855)	–
Amount due to ultimate holding company	(153,991)	–
Tax payable	(14,139)	–
Bank loans and other loans	(760,424)	–
Minority interests	(488,403)	–
	1,429,755	–
Goodwill on acquisition	516,394	–
Negative goodwill on acquisition	(23,798)	–
	1,922,351	–
Satisfied by:		
Cash	474,377	–
Issue of shares	1,146,974	–
Issue of convertible notes	301,000	–
	1,922,351	–

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(d) Acquisition of subsidiaries (cont'd)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2001 HK\$'000	2000 HK\$'000
Cash consideration	(474,377)	–
Cash and bank balances acquired	458,284	–
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(16,093)	–

On 16 May 2001, the Group acquired a 100% interest in COFCO Oils & Fats Holdings Limited and COFCO Wines & Spirits Holdings Limited from COFCO (HK). COFCO Oils & Fats Holdings Limited and its subsidiaries (the "Oils Group") are principally engaged in the extracting, refining and sale of edible oils and the trading of soyabean, rapeseed, soyabean meal and flour products in the PRC. COFCO Wines & Spirits Holdings Limited and its subsidiaries (the "Wines Group") are principally engaged in the production, sale and trading of grape wine and other related beverage products in the PRC. Further details of the acquisition are included in note 32 to the financial statements. Since their acquisition, the Oils Group and the Wines Group contributed HK\$3,077,735,000 and HK\$248,920,000 to the Group's turnover, respectively and HK\$165,033,000 and HK\$40,171,000 to the consolidated profit after tax and before minority interests for the year ended 31 December 2001, respectively.

On 26 October 2001, the Group acquired a 100% interest in COFCO (BVI) No. 100 Limited and Prized Developments Limited from COFCO (HK). COFCO (BVI) No.100 Limited and its subsidiaries (the "Trading Group") are principally engaged in the trading of rice, cereals, oils, feedstuffs, fruits, vegetables and aquatic products. Prized Developments Limited and its subsidiaries (the "Chocolate Group") are principally engaged in the production and distribution of chocolate in the PRC. Further details of the acquisition are included in note 32 to the financial statements. Since their acquisition, the Trading Group and the Chocolate Group contributed HK\$361,757,000 and HK\$43,242,000 to the Group's turnover, respectively and HK\$13,566,000 and HK\$73,000 to the consolidated profit after tax and before minority interests for the year ended 31 December 2001, respectively.

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(e) Disposal of subsidiaries

	2001	2000
	HK\$'000	HK\$'000
Net assets disposed of:		
Goodwill on acquisition	1,739	–
Fixed assets	–	2,507
Inventories	–	55
Other debtors, prepayments and deposits	–	933
Accounts payable	–	(484)
Other payables and accruals	–	(1,129)
Minority interests	–	(478)
	1,739	1,404
Loss on disposal of subsidiaries	(1,739)	(971)
	–	433
Satisfied by:		
Cash	–	433

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2001	2000
	HK\$'000	HK\$'000
Cash consideration	–	466
Cash and bank balances disposed of	–	(33)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	433

The subsidiaries disposed of had no material impact on the Group's cash flows.

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

29. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	-	-	856,300	661,300
A minority shareholder of a subsidiary	15,566	-	-	-
Investee company	-	8,900	-	-
	15,566	8,900	856,300	661,300

30. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from two to six years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2001, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within one year	8,059	-
In the second to fifth years, inclusive	9,187	-
After five years	247	-
	17,493	-

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

30. OPERATING LEASE ARRANGEMENTS (cont'd)

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from two months to twenty-nine years.

At 31 December 2001, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within one year	9,264	901
In the second to fifth years, inclusive	17,738	–
After five years	44,960	–
	71,962	901

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. This has no impact on the prior year comparative amounts for operating leases as lessee in note (b) above.

31. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 30 above, the Group had the following commitments at the balance sheet date:

	Group	
	2001 HK\$'000	2000 HK\$'000
Capital commitments in respect of property, plant and equipment		
Authorised but not contracted for	734	–
Contracted for	104,071	605
	104,805	605
Capital commitments in respect of increase in investment in an associate	41,264	–
	146,069	605

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

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

32. CONNECTED AND RELATED PARTY TRANSACTIONS

On 30 January 2001, the Company entered into a sale and purchase agreement with COFCO (HK) and COFCO to purchase from COFCO (HK) the entire issued capital of COFCO Oils & Fats Holdings Limited and COFCO Wines & Spirits Holdings Limited at a total consideration of HK\$1,108,250,000. This acquisition was completed on 16 May 2001 and the consideration was satisfied by the issue of 692,656,250 shares at HK\$1.60 each (note 26).

In addition, on 30 January 2001, the Company also entered into another sale and purchase agreement with COFCO (HK) and COFCO to procure COFCO Oils & Fats Holdings Limited to purchase from COFCO (HK) the entire issued share capital and the shareholder's loan of COFCO (BVI) No. 36 Limited at a total consideration of approximately HK\$87,400,000. This acquisition was completed on 4 September 2001 and the consideration was satisfied by the issue of 24,202,697 shares at HK\$1.60 each and the payment of approximately HK\$48,676,000 in cash (note 26).

On 7 June 2001, the Company entered into a sale and purchase agreement with COFCO (HK) and COFCO to acquire the entire issued share capital of COFCO (BVI) No.100 Limited and Prized Development Limited and the shareholder's loan from COFCO (HK) at a consideration of HK\$708 million. This acquisition was completed on 26 October 2001 and the consideration was satisfied as to HK\$407 million by cash and as to HK\$301 million by the issue of convertible notes.

On 31 December 2001, two wholly-owned subsidiaries of the Company entered into two separate tenancy agreements with a fellow subsidiary for the lease of certain office space in Top Glory Tower for a period of two years from 1 January 2002 to 31 December 2003 for an aggregate lease rental of approximately HK\$3,241,000.

In addition to the above transactions and the balances disclosed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

	Notes	Group	
		2001 HK\$'000	2000 HK\$'000
Transactions with fellow subsidiaries:			
Sales of goods	(i)	82,235	8,967
Purchases of goods	(i)	178,580	745,859
Freight charges and commission paid	(i)	5,822	11,339
Operating lease rentals paid *	(i)	1,547	849
Interest expenses paid	(ii)	2,280	1,904
Reimbursement of advertising expenses *	(iii)	14,092	–

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

32. CONNECTED AND RELATED PARTY TRANSACTIONS (cont'd)

		Group	
	Notes	2001 HK\$'000	2000 HK\$'000
Transactions with ultimate holding company:			
Sales of goods	(i)	977,734	–
Purchases of goods	(i)	21,179	15,047
Operating lease rental paid	(i)	1,079	–
Royalty paid *	(i)	634	–
Management fee income	(i)	3,620	–
Management fee paid	(i)	1,132	–
Interest expenses paid *	(ii)	1,840	–
Transactions with associates:			
Sales of goods	(i)	121,773	–
Purchases of goods	(i)	3,893	–
Management fee income *	(i)	1,019	–
Interest income received *	17	1,320	–
Transaction with immediate holding company:			
Interest expenses on convertible notes *		1,089	–
Transactions with minority shareholders of subsidiaries and their fellow subsidiaries:			
Sales of goods	(i)	78,981	–
Purchases of goods	(i)	1,969,923	–
Interest expenses paid *	(ii)	759	826

Notes:

- (i) These transactions were carried out with reference to market prices or, where no market price was available, at cost plus a percentage of profit mark-up.
- (ii) The interest expenses which arose from the amounts due to fellow subsidiaries were unsecured, bore interest at 3% – 4.2% per annum (2000: 3.5% – 6% per annum) and were fully repaid during the year.

The interest expenses which arose from other loans from ultimate holding company are unsecured, bear interest at 5.58% and 5.85% per annum and not repayable within one year.

The interest expenses which arose from the amount due to a minority shareholder of a subsidiary is unsecured, bears interest at 6.4% per annum (2000: 6.4% per annum) and has no fixed terms of repayment.

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

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

32. CONNECTED AND RELATED PARTY TRANSACTIONS (cont'd)

In addition to the above connected transactions, sales and purchases of HK\$40,012,000 and HK\$32,223,000 respectively were made by certain subsidiaries of the Company to/from Eastbay Oils & Fats Industries (Guangzhou) Co., Ltd, a company indirectly owned as to 84% by the Company and as to 10% by a connected party. These transactions have been eliminated on consolidation but constitute connected transactions under the Listing Rules.

* Other than these transactions, the remaining related party transactions set out above also constituted connected transactions disclosable in accordance with the Listing Rules.

Except for the amounts due to certain fellow subsidiaries which were fully repaid during the year (2000: HK\$89,696,000) and bear interest at 3% – 4.2% per annum (2000: 3.5% – 6% per annum), the balances with fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Except for the loans due to ultimate holding company of HK\$46,226,000 which bear interest at 5.58% – 5.85% per annum and not repayable within one year, the remaining balances with ultimate holding company, related companies and immediate holding company are unsecured, interest-free and have no fixed terms of repayment.

During the year, 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 businesses with no consideration.

33. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2001 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2001	2000	
Blissea Consortium Company Limited	Hong Kong	Ordinary HK\$1,000	100	100	Investment holding
China Foods Trading Limited	Hong Kong	Ordinary HK\$10,000,000	100	100	Trading of food products
東洲油脂工業(廣州) 有限公司 Eastbay Oils and Fats Industries (Guangzhou) Co., Ltd.**	PRC	RMB55,000,000	84	84	Processing and refining of edible oils and fats
Oriental Rainbow Trading Limited	Western Samoa	Ordinary US\$100	84	84	Trading of edible oils and fats

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

33. PRINCIPAL SUBSIDIARIES (cont'd)

Name	Place of incorporation/ registration and operations	Nominal value issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2001	2000	
Seabase International (B.V.I) Limited	British Virgin Islands/ Hong Kong	Ordinary HK\$1,000	100	100	Investment holding
鵬源投資顧問(深圳) 有限公司 Top Spring Investment Consultancy (Shenzhen) Co., Ltd.*	PRC	HK\$5,000,000	100	100	Management and consultancy
廈門海嘉麵粉有限公司 Xiamen Haijia Flour Mills Co., Ltd.**	PRC	RMB71,325,000	60	60	Manufacture of flour products
COFCO International Trading Services Limited	Hong Kong	HK\$2	100	–	Provision of trading management services
中糧國際(北京)有限公司 COFCO International (Beijing) Limited*	PRC	RMB60,000,000	100	–	Trading of rice, cereals, oils feedstuffs, fruits, vegetables and aquatic products
中糧酒業公司 COFCO Wines and Spirits Company*	PRC	RMB3,000,000	100	–	Provision of management services
華夏葡萄釀酒有限公司 Huaxia Winery Co., Ltd.*	PRC	RMB28,000,000	100	–	Production and sale of grape wine
深圳市華夏紅酒業有限公司 Shenzhen Huaxiahong Wines and Spirits Co. Ltd.**	PRC	RMB1,000,000	80	–	Wholesale of grape wine

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

33. PRINCIPAL SUBSIDIARIES (cont'd)

Name	Place of incorporation/ registration and operations	Nominal value issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2001	2000	
深圳金帝食品有限公司 Shenzhen Le Conte Foodstuff Co., Ltd.**	PRC	US\$15,000,000	86	–	Production and distribution of chocolate products
深圳金帝營銷有限公司 Shenzhen Le Conte Marketing Services Co., Ltd.**	PRC	RMB15,000,000	77.4	–	Distribution of chocolate products
煙台中糧葡萄酒釀酒有限公司 Yantai COFCO Winery Co., Ltd.**	PRC	RMB64,000,000	60	–	Production and sale of grape wine
黃海糧油工業(山東) 有限公司 Yellowsea Oils and Grains Industries (Shandong) Co., Ltd.*	PRC	US\$14,433,629	72.94	–	Production and sale of edible oils
東海糧油工業 (張家港)有限公司 East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd.*†	PRC	US\$98,000,000	54	–	Production and sale of edible oils, and trading of soyabean and rapeseed
鄭州海嘉食品有限公司 Zhengzhou Haijia Food Co., Ltd.**	PRC	RMB30,000,000	55	55	Manufacture of flour products

* Wholly foreign-owned enterprise

** Sino-foreign equity joint venture

† 東海糧油工業(張家港)有限公司 (East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd.) ("EOOG") and 張家港保稅區東海糧油工業有限公司 (Zhangjiagang Free Trade Zone Eastocean Oils & Grains Industries Co., Ltd.) ("ZFTZ") were both subsidiaries of COFCO Oils & Fats Holdings Limited which was acquired by the Company on 16 May 2001. Pursuant to the approval of the PRC's government on 29 September 2001, ZFTZ merged with EOOG to become a legal entity in the same name of EOOG.

Except for Seabase International (B.V.I.) Limited, all subsidiaries are indirectly held by the Company.

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.

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

34. ASSOCIATES

Particulars of the Company's principal associates as at 31 December 2001 are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interests attributable to the Group		Principal activities
			2001	2000	
中國長城葡萄酒有限公司 China Great Wall Wine Co., Ltd.	Corporate	PRC	50	25	Production of wine and beverage products
萊陽魯花濃香花生油有限公司 Laiyang Luhua Fragrant Peanut Oil Co., Ltd.	Corporate	PRC	24	–	Production and sale of peanut oil
萊陽魯花特香純正花生油有限公司 Laiyang Luhua Special Fragrant and Pure Peanut Oil Co., Ltd.	Corporate	PRC	24	–	Production and sale of peanut oil
北海糧油工業(天津)有限公司 Northsea Oils and Grains Industries (Tianjin) Co., Ltd.	Corporate	PRC	43	–	Production and sale of edible oils
大海糧油工業(防城港)有限公司 Great Ocean Oil and Grain Industries (Fang Cheng Gang) Co., Ltd.	Corporate	PRC	40	–	Soyabean oil extraction, refinery and packaging, and production of soyabean meal
Ermine Silk Company Limited*	Corporate	Hong Kong/ PRC	–	49	Processing and refining of edible vegetable oils and fats

The above associates are held through wholly-owned subsidiaries of the Company.

* This associate was disposed of during the year.

Notes to the Financial Statements (cont'd)

For the year ended 31 December 2001

35. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 8 April 2002.