

1. CORPORATE INFORMATION

During the year, the Group was principally engaged in property investment and development, hotel ownership and operations, and food processing and related businesses which include edible oils refining, wine-making, food trading and flour milling.

As further detailed in note 18 to the financial statements, the Group's interest in COFCO International Limited ("COFCO International", formerly known as China Foods Holdings Limited), was diluted from about 51.13% to about 21.52% during the year, and the Company ceased to be the controlling shareholder of COFCO International. Accordingly, the Group ceased to be directly engaged in food processing and related businesses through its subsidiaries.

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").

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 and Interpretations which have had a significant effect on the financial statements, are summarised as follows:

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. 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 is further detailed in note 37 to the financial statements.

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

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 5 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 and Interpretation 13 has resulted in a prior year adjustment, further details of which are included in note 4 to the financial statements. The required new additional disclosures are included in note 34 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 “Property, plant and equipment” are effective for the first time for the current year's financial statements.

The significant effects of these revisions are that SSAP 17 requires (i) reclassification of reserves from other property revaluation reserve to investment property revaluation reserve as further detailed in note 34 to the financial statements; and (ii) impairment losses on fixed assets are aggregated with accumulated depreciation in note 15 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 requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment and hotel properties, and other investments as further explained below.

Notwithstanding the net current liabilities at the balance sheet date, these financial statements have been prepared on a going concern basis as the Group had unutilised banking facilities available of approximately HK\$1,013 million as set out in note 30 to the financial statements.

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 intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share/registered capital or controls the composition of its board of directors.

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

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it 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 or negative goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in reserves, is included as part of the Group's interests in associates.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

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

Joint venture companies (cont'd)

A joint venture company is treated as:

- (a) a subsidiary, if the Company has unilateral control over the joint venture company;
- (b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;
- (c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interests in jointly-controlled entities 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, associates and jointly-controlled entities represents the excess of 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 consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. In the case of associates and jointly-controlled entities, 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 consolidated 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 consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

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

Goodwill (cont'd)

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 goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, 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.

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.

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.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length. Investment properties are stated at their open market values based on professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of the reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the profit and loss account. Where a deficit has previously been charged to the profit and loss account and a revaluation surplus subsequently arises, the surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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

Investment properties (cont'd)

On subsequent sale of an investment property, any revaluation surplus attributable to that property is included in the determination of the profit and loss on disposal.

No depreciation is provided in respect of investment properties which are held on leases with unexpired terms, including the renewable period, of more than 20 years.

Hotel properties

Hotel properties are interests in land and buildings and their integral fixed plant, and are stated at annual professional valuations at the balance sheet date. Changes in the value of hotel properties are dealt with as movements in the hotel property revaluation reserve. Any surplus arising on the revaluation of a hotel property is credited to the hotel property revaluation reserve, except to the extent that it reverses a decrease in revaluation of the same hotel property previously recognised as an expense, then it is recognised as income. A decrease in net carrying amount arising on the revaluation of a hotel property is charged to the profit and loss account to the extent it exceeds the balance, if any, on the hotel property revaluation reserve relating to a previous revaluation of that hotel property. On the subsequent sale or retirement of a revalued hotel property, the attributable surplus is transferred to retained profits. No depreciation and amortisation are provided on hotel properties held on leases (including land use rights) of more than 20 years. It is the Group's practice to maintain the properties on a continual state of sound repairs and maintenance, and accordingly, the Directors consider that depreciation and amortisation are not material due to their high residual value. The related maintenance expenditure is dealt with in the profit and loss account in the year it is incurred.

Fixed assets and depreciation

Fixed assets, other than investment and hotel 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.

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

Fixed assets and depreciation (cont'd)

Depreciation is calculated on the straight-line basis to write off the cost of each asset, other than investment and hotel properties, and 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% to 10%
Plant, machinery and equipment	2% to 25%
Other fixed assets	5% to 40%

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.

Properties under development

Properties under development are stated at the lower of actual cost and net realisable value. Cost comprises the cost of land together with direct costs, including interest charges, attributable to the development of the properties. Net realisable value is calculated as the estimated selling price less all further costs to completion and costs of marketing and selling.

Capitalisation of borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition or construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is calculated as the estimated selling price less all costs of marketing and selling.

Operating leases

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 a lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

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

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.

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.

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, associates and jointly-controlled entities 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 (the "MPF Exempted ORSO Scheme"), or the Mandatory Provident Fund Scheme (the "MPF Scheme") under which employer's contributions have to be made. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. When an employee leaves the MPF 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 MPF Scheme, the forfeited amount shall be refunded 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.

In addition, the employees of the Group's subsidiaries which operate in the PRC are required to participate in the central pension scheme 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.

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 and properties 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 and properties sold. When a property is developed for sale, income is recognised only when the property or any portion of it contracted for sale is completed and the relevant building occupation permit has been granted by the relevant authorities;
- (b) rental income, on the straight-line basis over the lease terms;
- (c) revenue from hotel operations and other ancillary services, in the period in which the services are rendered;
- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (e) dividends, when the shareholders' right to receive payment has been established.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or 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. PRIOR YEAR ADJUSTMENTS

Due to the adoption of SSAP 30, the Group has adopted a policy to assess goodwill eliminated against consolidated reserves for impairment. As a result, the Group has recognised an impairment of part of the goodwill previously eliminated against consolidated reserves, of HK\$167,549,000. 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\$167,549,000. This prior year adjustment has had no effect on the current year and the prior year.

5. 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 property investment and development segment engages in property development and sales and letting of properties;
- (b) the hotel operations segment engages in hotel room rental and other ancillary services including foods and beverage;
- (c) the foods and food processing segment engages in food processing and related businesses including edible oils refining, wine-making and beverage, food trading and flour milling; and
- (d) the corporate and others segment comprises the Group's management service business together with corporate income and expense items.

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

Notes to the Financial Statements (cont'd)

31 December 2001

5. SEGMENT INFORMATION (cont'd)

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	Foods and food processing		Hotel operations		Property investment and development		Corporate and others		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	677,357	1,297,922	201,686	224,436	149,864	347,843	11,712	6,547	-	-	1,040,619	1,876,748
Intersegment sales	-	-	-	-	1,040	1,099	8,159	14,055	(9,199)	(15,154)	-	-
Other revenue	16,517	21,635	-	-	1,381	2,345	4,854	17,539	-	-	22,752	41,519
Total	693,874	1,319,557	201,686	224,436	152,285	351,287	24,725	38,141	(9,199)	(15,154)	1,063,371	1,918,267
Segment results	17,349	15,295	(10,820)	53,561	(474,514)	96,674	(186,080)	(22,148)	-	-	(654,065)	143,382
Interest and dividend income and unallocated gains											30,621	68,356
Unallocated expenses											(17,956)	(21,069)
Profit/(loss) from operating activities											(641,400)	190,669
Finance costs											(49,522)	(76,730)
Share of profits less losses of:											(690,922)	113,939
Jointly-controlled entities	-	-	-	-	(3,502)	(6,851)	-	-	-	-	(3,502)	(6,851)
Associates	62,885	40,231	4,652	15,677	-	-	-	-	-	-	67,537	55,908
Profit/(loss) before tax											(626,887)	162,996
Tax											(24,536)	(50,390)
Profit/(loss) before minority interests											(651,423)	112,606
Minority interests											(4,692)	(47,297)
Net profit/(loss) from ordinary activities attributable to shareholders											(656,115)	65,309

Notes to the Financial Statements (cont'd)

31 December 2001

5. SEGMENT INFORMATION (cont'd)

(a) Business segments (cont'd)

Group	Foods and food processing		Hotel operations		Property investment and development		Corporate and others		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	2	439,676	1,661,968	1,744,401	2,965,459	3,301,431	11,530	27,442	-	-	4,638,959	5,512,950
Interests in associates	701,104	216,118	163,801	178,041	-	-	-	-	-	-	864,905	394,159
Interests in jointly-controlled entities	-	-	-	-	382,573	597,813	-	-	-	-	382,573	597,813
Unallocated assets	-	-	-	-	-	-	-	-	-	-	267,184	1,157,179
Total assets											6,153,621	7,662,101
Segment liabilities	1,510	157,756	1,517,382	1,307,223	1,929,202	1,813,389	20,978	25,279	(3,201,182)	(2,864,661)	267,890	438,986
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	1,090,305	983,710
Total liabilities											1,358,195	1,422,696
Other segment information:												
Depreciation	5,023	13,695	1,422	1,751	30,850	32,717	1,234	598	-	-	38,529	48,761
Impairment losses recognised in the profit and loss account	-	5,497	-	-	515,468	-	-	-	-	-	515,468	5,497
Deficits on revaluation recognised in the profit and loss account	-	-	55,001	-	-	-	-	-	-	-	55,001	-
Other non-cash expenses	-	6,750	3,943	6,953	9,969	-	167,771	2,971	-	-	181,683	16,674
Capital expenditure	1,726	6,326	6,323	6,687	126,619	113,306	6	81	-	-	134,674	126,400
Deficits on valuation recognised directly in equity	-	-	11,953	-	48,443	-	-	-	-	-	60,396	-
Surpluses on revaluation recognised directly in equity	-	-	-	21,342	-	21,251	-	-	-	-	-	42,593

(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		Corporate and others		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	535,616	836,824	505,003	1,039,924	-	-	-	-	1,040,619	1,876,748
Segment results	(145,077)	27,752	(508,674)	115,937	(314)	(307)	-	-	(654,065)	143,382
Other segment information:										
Segment assets	1,889,232	2,427,238	4,254,249	5,223,553	10,140	11,310	-	-	6,153,621	7,662,101
Capital expenditure	1,146	1,162	133,528	125,238	-	-	-	-	134,674	126,400

Notes to the Financial Statements (cont'd)

31 December 2001

6. TURNOVER, REVENUE AND GAINS

Turnover represents rental income, sale of properties, revenue from hotel ownership and operations and the net invoiced value of goods sold, after allowances for returns and trade discounts, during the year.

An analysis of turnover, other revenue and gains is as follows:

	2001 HK\$'000	2000 HK\$'000
Turnover		
Property investment and development:		
Sales of properties	72,869	265,967
Gross rental income from investment properties	70,525	73,595
Gross rental income from land and buildings	18,182	14,828
	161,576	354,390
Hotel operations:		
Hotel room revenue	118,870	128,069
Other ancillary services from hotel operations	82,816	96,367
	201,686	224,436
Food processing and related businesses:		
Sale of goods	677,357	1,297,922
	1,040,619	1,876,748
Other revenue		
Interest income	30,278	68,248
Dividend from a long term investments	–	4,070
Others	9,293	22,957
	39,571	95,275
Gains		
Gain on disposal of other investments	–	13,076
Gain on trading of commodity future contracts	12,737	1,524
Gain on disposal of investment properties	950	–
Gain on disposal of fixed assets	115	–
	13,802	14,600
	53,373	109,875

Notes to the Financial Statements (cont'd)

31 December 2001

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2001	2000
	HK\$'000	HK\$'000
Cost of inventories sold	663,200	1,279,380
Cost of hotel services provided	159,198	163,432
Cost of properties sold	58,901	180,220
Auditors' remuneration	1,319	2,580
Depreciation	38,529	48,761
Loss on disposal of fixed assets, net	1,793	1,065
Amortisation of a long term investment	583	1,400
Staff costs (including directors' remuneration – note 9):		
Wages and salaries	65,349	101,711
Retirement benefits scheme contributions	515	1,367
Less: Forfeited contributions	–	–
Net retirement benefits scheme contribution *	515	1,367
	65,864	103,078
Other operating expenses, net, including:		
Impairment of fixed assets	21,516	4,855
Impairment of other investments	–	642
Loss on disposal of subsidiaries	–	971
Provision for doubtful debts	5,607	9,223
Deficit on revaluation of hotel properties	55,001	6,953
Write-back of provision for impairment of long term investments	(10,467)	(13,021)
Gross rental income	(88,707)	(88,423)
Less: Outgoings	15,300	12,468
Net rental income	(73,407)	(75,955)
Write-back of provision against inventories	–	(9,572)
Exchange gains, net	(103)	(706)

* The amounts of forfeited contributions available at the current and prior year ends to reduce contributions in future years were not significant.

Notes to the Financial Statements (cont'd)

31 December 2001

8. FINANCE COSTS

	2001	2000
	HK\$'000	HK\$'000
Interest on:		
Bank loans wholly repayable within five years	49,545	70,240
Bank loans not wholly repayable within five years	–	196
Loan from a holding company	–	3,564
Amounts due to fellow subsidiaries	–	1,904
Loan from a minority shareholder of a subsidiary	–	826
Total interest	49,545	76,730
Less: Interest capitalised to properties under development	(23)	–
Total finance costs charged for the year	49,522	76,730

9. 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 is as follows:

	GROUP	
	2001	2000
	HK\$'000	HK\$'000
Fees:		
Executive Directors	512	500
Independent non-executive Directors	200	200
	712	700
Other emoluments to executive Directors:		
Salaries, allowances and benefits in kind	3,794	3,765
Retirement benefits scheme contributions	210	201
	4,004	3,966
Total Directors' remuneration	4,716	4,666

Notes to the Financial Statements (cont'd)

31 December 2001

9. DIRECTORS' REMUNERATION (cont'd)

The number of the Directors whose remuneration fell within the following bands is as follows:

	Number of directors 2001	Number of directors 2000
Nil – HK\$1,000,000	5	8
HK\$3,000,001 – HK\$3,500,000	1	1
	6	9

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one Director (2000: two Directors), details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining four (2000: three) non-Director, highest paid employees are as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries and other benefits	4,664	4,434
Retirement benefits scheme contributions	186	208
	4,850	4,642

The remuneration of the above non-Director, highest paid employees fell within the following bands:

	Number of employees 2001	Number of employees 2000
Nil – HK\$1,000,000	3	1
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,500,000	1	–
HK\$2,500,001 – HK\$3,000,000	–	1
	4	3

Notes to the Financial Statements (cont'd)

31 December 2001

11. 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 in Mainland China and overseas countries 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
Company and subsidiaries:		
Hong Kong profits tax	4,023	3,032
Mainland China and overseas taxes	8,859	38,615
Deferred tax (note 31)	(449)	(792)
	12,433	40,855
Share of tax attributable to:		
Associates	11,370	8,969
Jointly-controlled entities	733	566
	12,103	9,535
Tax charge for the year	24,536	50,390

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

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$266,556,000 (2000: HK\$47,027,000).

13. DIVIDENDS

No interim dividend was paid during the year and the Directors do not recommend the payment of any final dividend for the year (2000: Nil).

14. EARNINGS/(LOSS) PER SHARE

The calculation of the basic loss per share is based on the net loss attributable to shareholders for the year of HK\$656,115,000 (2000: net profit attributable to shareholders for the year of HK\$65,309,000) and 2,675,136,092 (2000: 2,675,136,092) ordinary shares in issue during the year.

Diluted earnings/(loss) per share amounts for the years ended 31 December 2001 and 2000 have not been disclosed as no diluting events existed during these years.

Notes to the Financial Statements (cont'd)

31 December 2001

15. FIXED ASSETS

GROUP	Hotel	Investment	Leasehold	Plant,	Construction	Other fixed	Total
	properties	properties	land and	machinery	in progress	assets	
	HK\$'000	HK\$'000	land and	and	in progress	assets	HK\$'000
	HK\$'000	HK\$'000	buildings	equipment	in progress	assets	HK\$'000
Cost or valuation:							
At beginning of year	1,688,000	1,301,687	791,412	229,082	2,878	105,739	4,118,798
Reclassified to accumulated depreciation and impairment (Note)	-	-	3,646	1,209	-	-	4,855
As restated	1,688,000	1,301,687	795,058	230,291	2,878	105,739	4,123,653
Additions	4,275	-	204	1,558	168	3,736	9,941
Disposals	(2,109)	(9,805)	(7,895)	(437)	-	(4,096)	(24,342)
Disposals of subsidiaries	-	-	(154,713)	(199,207)	(3,046)	-	(356,966)
Deficits on revaluation, net	(65,166)	(47,872)	-	-	-	-	(113,038)
At 31 December 2001	1,625,000	1,244,010	632,654	32,205	-	105,379	3,639,248
Analysis of cost or valuation:							
At cost	-	-	632,654	32,205	-	105,379	770,238
At 2001 valuation	1,625,000	1,244,010	-	-	-	-	2,869,010
	1,625,000	1,244,010	632,654	32,205	-	105,379	3,639,248
Accumulated depreciation and impairment:							
At beginning of year	-	-	83,134	92,483	-	75,707	251,324
Reclassified from cost (Note)	-	-	3,646	1,209	-	-	4,855
As restated	-	-	86,780	93,692	-	75,707	256,179
Provided during the year	-	-	20,240	6,718	-	11,571	38,529
Disposals	-	-	(7,895)	(186)	-	(3,932)	(12,013)
Disposals of subsidiaries	-	-	(37,660)	(74,474)	-	-	(112,134)
Impairment during the year recognised in the profit and loss account	-	-	21,516	-	-	-	21,516
At 31 December 2001	-	-	82,981	25,750	-	83,346	192,077
Net book value:							
At 31 December 2001	1,625,000	1,244,010	549,673	6,455	-	22,033	3,447,171
At 31 December 2000	1,688,000	1,301,687	708,278	136,599	2,878	30,032	3,867,474

Notes to the Financial Statements (cont'd)

31 December 2001

15. 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.

The net book values of the Group's leasehold land and buildings and investment and hotel properties are analysed as follows:

	Leasehold land and buildings		Investment properties		Hotel properties	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Long term leases in Hong Kong	218,956	227,219	919,870	970,377	–	–
Long term leases in Mainland China	–	–	314,000	320,000	556,000	556,000
Medium term leases in Mainland China	330,717	481,059	–	–	1,069,000	1,132,000
Freehold in other location	–	–	10,140	11,310	–	–
At 31 December	549,673	708,278	1,244,010	1,301,687	1,625,000	1,688,000

Certain of the Group's leasehold land and buildings in Hong Kong were reclassified from investment properties in 1998 at their then carrying value of HK\$247,876,000, as valued on 30 June 1998 by a firm of independent professional valuers, Chesterton Petty Limited, on an open market value basis.

Except for the revaluation of the Group's freehold property which was conducted by Paragon Appraisal Services, Inc., a firm of independent professional valuers, the Group's investment and hotel properties were revalued by Chesterton Petty Limited. All these properties were revalued on an open market basis, based on their existing use, at 31 December 2001. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 37 to the financial statements.

Revaluation deficits of hotel properties and investment properties are accounted for in these financial statements as follows:

	Hotel properties HK\$'000	Investment properties HK\$'000
Revaluation deficit, net	65,166	47,872
Charged to revaluation reserve:		
attributable to the Group (note 34)	(7,511)	(48,443)
attributable to minority interests (note 35(b))	(2,654)	–
Minority interests' share of revaluation surplus of certain investment properties (note 35(b))	–	571
Charged to profit and loss account	55,001	–

Notes to the Financial Statements (cont'd)

31 December 2001

15. FIXED ASSETS (cont'd)

Had the leasehold land and buildings and hotel properties of the Group been carried at historical cost less accumulated depreciation, their carrying values as at 31 December 2001 would have been HK\$177,669,000 (2000: HK\$185,932,000) and HK\$1,456,163,000 (2000: HK\$1,508,286,000), respectively.

The Group's hotel properties in Beijing are situated on a piece of land with land use rights expiring in October 2006. Based on legal opinion obtained from the legal advisers on the laws of the PRC, the land use rights can be renewed for a further period of 26 years, up to October 2032 upon payment of land premium. It is the intention of the Directors to renew the land use rights in due course.

Impairment on leasehold land and buildings of HK\$21,516,000 arose as a result of adverse market conditions.

16. PROPERTIES UNDER DEVELOPMENT

	GROUP	
	2001 HK\$'000	2000 HK\$'000
At beginning of year	1,065,938	962,126
Exchange realignment	–	10
Additions during the year	63,901	111,721
Deposits paid during the year	106,363	–
Interest capitalised during the year	23	–
Transfer to cost of sales	–	(7,919)
Provision for impairment	(282,293)	–
At 31 December	953,932	1,065,938

The Group's properties under development are analysed as follows:

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Long term leases in Hong Kong	75,309	86,169
Medium term leases in Mainland China	878,623	979,769
At 31 December	953,932	1,065,938

Notes to the Financial Statements (cont'd)

31 December 2001

16. PROPERTIES UNDER DEVELOPMENT (cont'd)

In 1995, the Group exchanged a piece of land situated in Mainland China with a carrying value of approximately HK\$223,779,000 for another piece of land situated in Mainland China with an independent third party. During the year, a letter of intent was signed with an independent third party regarding the exchange of the above land for another piece of land in Mainland China because the original land has been changed from residential use to industrial use by the local government. The relevant process for accomplishing the Group's titles and interests in the newly offered land for exchange was still in progress as at 31 December 2001.

In addition, during the year, the Group entered into a sale and purchase agreement with an independent third party to acquire land at a consideration of HK\$277,428,000. As at 31 December 2001, a deposit of HK\$126,511,000 had been paid by the Group and was recorded as part of the properties under development. The remaining balance of HK\$150,917,000 is disclosed as a capital commitment (note 38).

Included in the impairment on properties under development are impairments of HK\$102,514,000, HK\$145,779,000 and HK\$34,000,000 as a result of changes in development plans, change in land use resulting in swap of land as noted above, and adverse market conditions, respectively. The impairment losses are estimated by the Directors based on the recoverable amounts, which are determined by reference to the valuation on an open market, existing use basis, at 31 December 2001.

17. INTERESTS IN SUBSIDIARIES

	COMPANY	
	2001 HK\$'000	2000 HK\$'000
Unlisted investments, at cost	1,537,554	1,599,923
Due from subsidiaries	5,255,028	4,699,045
Due to subsidiaries	(898,446)	(1,026,592)
	5,894,136	5,272,376
Provision for impairment	(1,215,939)	(273,200)
	4,678,197	4,999,176

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

Particulars of the Company's principal subsidiaries as at 31 December 2001 are set out in note 40 to the financial statements.

Notes to the Financial Statements (cont'd)

31 December 2001

18. INTERESTS IN ASSOCIATES

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	804,783	320,935
Due from associates	60,122	73,224
	864,905	394,159

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

Particulars of the Group's associates as at 31 December 2001 are set out in note 41 to the financial statements.

On 30 January 2001, the Company's then subsidiary, COFCO International entered into a sale and purchase agreement with COFCO and COFCO (Hong Kong) Limited ("COFCO (HK)") to purchase from COFCO (HK) the entire issued share capital of COFCO Oils & Fats Holdings Limited and COFCO Wines & Spirits Holdings Limited (the "Acquisitions"). Details of the Acquisitions are set out in the Company's circular dated 22 February 2001.

On 16 May 2001, COFCO International completed the Acquisitions and 692,656,250 new shares of COFCO International were issued as consideration. Following the completion of the Acquisitions, the Group's interest in COFCO International was diluted from about 51.13% to about 24.95%, and the Company ceased to be the controlling shareholder of COFCO International.

On 18 May and 7 June 2001, COFCO International entered into two placing and subscription arrangements pursuant to which a total of 192,000,000 shares of COFCO International were placed to independent investors (the "Placings"). Following the completion of the Placings, the Group's interest in COFCO International was further diluted to about 21.85%.

On 4 September 2001, COFCO International issued another 24,202,697 shares to COFCO (HK) to satisfy the consideration of the acquisition of COFCO (BVI) No.36 Limited. The Group's interest in COFCO International was further diluted to about 21.52%.

The dilution of the Group's interest in COFCO International resulted in a loss of HK\$162,312,000 on deemed disposal.

During the period from 1 January 2001 to 16 May 2001, being the completion date of the Acquisitions, COFCO International contributed HK\$677,357,000 (Year ended 31 December 2000: HK\$1,297,922,000) to the Group's turnover and accounted for a profit attributable to shareholders of the Group of HK\$25,829,000 (Year ended 31 December 2000: HK\$65,955,000).

Notes to the Financial Statements (cont'd)

31 December 2001

18. INTERESTS IN ASSOCIATES (cont'd)

Included in the Group's share of the net assets of its associates is the share of net assets of COFCO International which, in the opinion of the Directors, is material in the context of the Group's financial statements. Details of the net assets of COFCO International and its subsidiaries (collectively the "COFCO International Group") and their respective results are set out below:

COFCO International Group*

	As at 31 December 2001 HK\$'000	As at 31 December 2000 HK\$'000 (Restated)
Non-current assets	2,547,186	537,443
Current assets	3,356,745	1,179,464
Current liabilities	(1,611,932)	(194,185)
Long term liabilities	(388,415)	(7,704)
Minority interests	(641,865)	(67,536)
	3,261,719	1,447,482
	Year ended 31 December 2001 HK\$'000	Year ended 31 December 2000 HK\$'000
Turnover	6,205,430	1,297,922
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
Contingent liabilities	15,566	8,900

* The above figures are extracted from the published audited financial statements of COFCO International.

Notes to the Financial Statements (cont'd)

31 December 2001

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	468,184	479,035
Due from jointly-controlled entities	126,048	118,778
	594,232	597,813
Provision for impairment	(211,659)	–
	382,573	597,813

Included in the amounts due from jointly-controlled entities is an unsecured loan of HK\$84,112,000 (2000: HK\$84,112,000), which bears interest at 6.435% per annum and has no fixed terms of repayment. The remaining amounts due from jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Group's jointly-controlled entities as at 31 December 2001 are set out in note 42 to the financial statements.

The provision for impairments of HK\$204,194,000 and HK\$7,465,000 arose from changes in the development plans and adverse economic conditions, respectively. The impairment losses are estimated by the Directors based on the recoverable amounts, which are the value in use determined by discounting the future net cash inflow arising from the relevant cash-generating units at discount rates ranging from 6% to 10%

20. LONG TERM INVESTMENTS AND ADVANCE TO AN INVESTEE COMPANY

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Long term investments:		
Unlisted equity investments, at cost	–	121,748
Amortisation of investment cost	–	(19,365)
Less: Provision for impairment	–	(51,779)
	–	50,604
Advance to an investee company	–	12,751

Notes to the Financial Statements (cont'd)

31 December 2001

21. INVENTORIES

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Raw materials	-	32,238
Work in progress	-	1,408
Finished goods	3,390	34,978
Hotel inventories	11,695	13,016
	15,085	81,640

The carrying amount of inventories was stated at cost as at the balance sheet date (2000: HK\$17,724,000 was carried at net realisable value).

22. OTHER INVESTMENTS

	GROUP		COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Listed equity securities in Hong Kong, at market value	-	1,605	-	-
Listed debt securities in Hong Kong, at market value	-	7,457	-	-
	-	9,062	-	-
Unlisted investment outside Hong Kong at fair value	1,138	1,138	1,138	1,138
	1,138	10,200	1,138	1,138

Notes to the Financial Statements (cont'd)

31 December 2001

23. TRADE RECEIVABLES

Consideration in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Monthly rent in respect of leased properties are payable in advance by the tenants. Other trade debtors settle their accounts according to the payment terms as stated in contracts.

An aged analysis of trade receivables as at 31 December 2001, net of provision, is as follows:

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Outstanding balances with ages:		
Within 6 months	16,052	57,656
Between 7 to 12 months	1,344	6,762
Between 1 to 2 years	9,656	29,895
Over 2 years	9,069	27
	36,121	94,340
Prepayments and other debtors	40,087	81,539
	76,208	175,879

As at balance sheet date, instalment receivable was not significant. In 2000, instalment receivable of HK\$2,701,000 was arose from sale of the Group's properties, the maturity of which is beyond one year from the balance sheet date.

24. DUE FROM FELLOW SUBSIDIARIES

The amounts due from fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

25. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	159,470	129,688	1,518	1,294
Time deposits	96,770	1,020,810	96,770	10,793
	256,240	1,150,498	98,288	12,087

Notes to the Financial Statements (cont'd)

31 December 2001

26. TRADE PAYABLES, ACCRUALS AND OTHER LIABILITIES

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Outstanding balances with ages:		
Within 6 months	30,280	45,491
Between 7 to 12 months	2,592	8,958
Between 1 to 2 years	1,237	39,508
Over 2 years	35,651	8,860
	69,760	102,817
Accruals and other liabilities	134,018	174,323
	203,778	277,140

27. DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and have no fixed terms of repayment.

28. DUE TO HOLDING COMPANIES

The amounts due to holding companies are unsecured, interest-free and have no fixed terms of repayment.

29. DUE TO FELLOW SUBSIDIARIES

The amounts due to fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

30. BANK LOANS

	GROUP		COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank loans:				
Secured (note i)	–	42,594	–	–
Unsecured (note ii)	971,101	820,086	830,914	726,629
	971,101	862,680	830,914	726,629
Bank loans repayable:				
Within one year or on demand	441,714	492,062	441,714	363,714
In the second year	123,929	287,426	77,200	285,715
In the third to fifth years, inclusive	405,458	82,336	312,000	77,200
Beyond five years	–	856	–	–
	971,101	862,680	830,914	726,629
Portion classified as current liabilities	(441,714)	(492,062)	(441,714)	(363,714)
Long term portion	529,387	370,618	389,200	362,915

Notes to the Financial Statements (cont'd)

31 December 2001

30. BANK LOANS (cont'd)

Note i: The secured bank loan in 2000 was borrowed by COFCO International, a then subsidiary of the Company. This was secured by a charge over the fixed assets with a net book value of approximately HK\$107,746,000 and a pledge of bank deposits of approximately HK\$9,589,000, and guaranteed by the ultimate holding company. As detailed in note 18 to the financial statements, COFCO International ceased to be the Company's subsidiary in May 2001.

Note ii: Certain unsecured bank loans of approximately HK\$93,458,000 are guaranteed by the ultimate holding company.

At 31 December 2001, the Group had total available banking facilities of approximately HK\$1,984 million, of which HK\$971 million had been utilised at that date.

31. DEFERRED TAX

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Balance at beginning of year	639	1,431
Credit for the year (note 11)	(449)	(792)
Balance at 31 December	190	639

The balance of deferred tax represents the tax effect of timing differences attributable to accelerated depreciation allowances.

The surplus arising from the revaluation of the Group's properties in Hong Kong does not constitute a timing difference for deferred tax purposes as any profit realised on their subsequent disposal would not be subject to tax.

Deferred tax has not been provided on the surplus arising on the revaluation of the Group's properties in Mainland China as, in the opinion of the Directors, these properties are intended to be held for long term purposes and it is unlikely that the liability will crystallise in the foreseeable future.

The Company's investment revaluation reserve arising from the revaluation of the investment in a subsidiary is not subject to deferred tax as any profit arising from the disposal of this investment would not be subject to tax. The revaluation surplus therefore does not constitute a timing difference for deferred tax purposes.

Neither the Group, nor the Company had any significant unprovided deferred tax for the year or at the balance sheet date.

32. MINORITY INTERESTS

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net assets attributable to minority shareholders	119,328	905,180
Advances from minority shareholders	8,714	37,275
	128,042	942,455

Advances from minority shareholders are unsecured, interest-free and have no fixed terms of repayment (2000: HK\$9,547,000 bore interest at 7.6% per annum).

Notes to the Financial Statements (cont'd)

31 December 2001

33. SHARE CAPITAL

Ordinary shares

	2001	2000
	HK\$'000	HK\$'000
Authorised:		
50,000,000,000 ordinary shares of HK\$0.10 each (2000: 5,000,000,000 ordinary shares of HK\$1.00 each)	5,000,000	5,000,000
Issued and fully paid:		
2,675,136,092 ordinary shares of HK\$0.10 each (2000: 2,675,136,092 ordinary shares of HK\$1.00 each)	267,514	2,675,136

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

- (a) Pursuant to a special resolution passed on 2 November 2001 and the confirmation by the High Court of Hong Kong (the "Court") on 27 November 2001, the authorised share capital and issued share capital of the Company were reduced from HK\$5,000,000,000 to HK\$500,000,000 and from HK\$2,675,136,092 to HK\$267,513,609, respectively, by the reduction of the nominal value of all the issued and unissued shares in the capital of the Company from HK\$1.00 to HK\$0.10 per share.
- (b) Upon the reduction of capital became effective, the authorised share capital of the Company was increased from HK\$500,000,000 to HK\$5,000,000,000 by the creation of 45,000,000,000 new shares of HK\$0.10 each, ranking pari passu in all respect with the existing share capital of the Company.

A summary of the above movements of the Company's share capital is as follows:

	Number of shares	Issued capital
	in issue	HK\$'000
At 1 January 2001	2,675,136,092	2,675,136
Transfer to special capital reserve upon reduction in nominal value (Note)	–	(2,407,622)
At 31 December 2001	2,675,136,092	267,514

Note: Pursuant to an undertaking given by the Company to the Court on 5 November 2001, the Company has undertaken to the Court that the credit of approximately HK\$2,407,622,000 arising from the reduction of capital is credited to a special capital reserve in the books of accounts of the Company and such reserve:

- (i) is not treated as realised profit; and
- (ii) shall, for so long as the Company remains a listed company, be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Companies Ordinance or any statutory re-enactment or modification thereof,

Provided always that the amount standing to the credit of the special capital reserve may be reduced by the aggregate of any increase in the issued capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves.

Notes to the Financial Statements (cont'd)

31 December 2001

33. SHARE CAPITAL (cont'd)

Share options

The Company operates a share option scheme, further details of which are set out under the section headed "Share Option Scheme" in the Report of the Directors on pages 18 to 19. No options were granted during the year.

34. RESERVES

GROUP	Special capital reserve HK\$'000	Share premium account HK\$'000	Capital reserve/ (goodwill) HK\$'000	Investment property revaluation reserve HK\$'000	Hotel property revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Legal reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2000	-	946,454	(119,125)	38,373	34,669	41,287	3,797	7,953	1,948	1,561,427	2,516,783
Prior year adjustment (note 4)	-	-	167,549	-	-	-	-	-	-	(167,549)	-
As restated	-	946,454	48,424	38,373	34,669	41,287	3,797	7,953	1,948	1,393,878	2,516,783
Release upon liquidation of a subsidiary	-	-	943	-	-	-	-	-	-	-	943
Exchange realignments	-	-	-	-	-	-	98	-	-	-	98
Release upon disposal of other investments	-	-	(3,289)	(499)	-	(123)	(1)	-	-	-	(3,912)
Transfer to legal reserve	-	-	-	-	-	-	-	2,286	-	(2,286)	-
Surplus on revaluation of investment properties, net	-	-	-	21,251	-	-	-	-	-	-	21,251
Surplus on revaluation of hotel properties, net	-	-	-	-	21,342	-	-	-	-	-	21,342
Profit for the year	-	-	-	-	-	-	-	-	-	65,309	65,309
At 31 December 2000	-	946,454	46,078	59,125	56,011	41,164	3,894	10,239	1,948	1,456,901	2,621,814
Reserves retained by:											
Company and subsidiaries	-	946,454	51,822	59,011	51,569	41,164	4,496	3,014	1,948	1,385,320	2,544,798
Jointly-controlled entities	-	-	-	-	-	-	-	-	-	1,777	1,777
Associates	-	-	(5,744)	114	4,442	-	(602)	7,225	-	69,804	75,239
At 31 December 2000	-	946,454	46,078	59,125	56,011	41,164	3,894	10,239	1,948	1,456,901	2,621,814

Notes to the Financial Statements (cont'd)

31 December 2001

34. RESERVES (cont'd)

GROUP	Special capital reserve HK\$'000	Share premium account HK\$'000	Capital reserve/ (goodwill) HK\$'000	Investment property revaluation reserve HK\$'000	Hotel property revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Legal reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2001	-	946,454	(121,471)	59,125	56,011	41,164	3,894	10,239	1,948	1,624,450	2,621,814
Prior year adjustment (note 4)	-	-	167,549	-	-	-	-	-	-	(167,549)	-
As restated	-	946,454	46,078	59,125	56,011	41,164	3,894	10,239	1,948	1,456,901	2,621,814
Transfer from share capital upon reduction in nominal value (note 33)	2,407,622	-	-	-	-	-	-	-	-	-	2,407,622
Transfer from retained profits upon deemed disposal of a listed subsidiary	-	-	32,396	-	-	-	-	-	-	(32,396)	-
Reclassification of reserves (note)	-	-	-	41,164	-	(41,164)	-	-	-	-	-
Release of goodwill upon deemed disposal of a listed subsidiary	-	-	48,704	-	-	-	-	-	-	-	48,704
Share of release of goodwill upon disposal of an associate and a subsidiary by an associate	-	-	40,909	-	-	-	-	-	-	-	40,909
Exchange realignments	-	-	-	-	-	-	189	-	-	-	189
Release upon disposal of investment properties, net	-	-	-	(2,857)	-	-	-	-	-	-	(2,857)
Deficit on revaluation of investment properties, net	-	-	-	(48,443)	-	-	-	-	-	-	(48,443)
Share of deficit on revaluation of hotel properties by an associate	-	-	-	-	(4,442)	-	-	-	-	-	(4,442)
Deficit on revaluation of hotel properties, net	-	-	-	-	(7,511)	-	-	-	-	-	(7,511)
Loss for the year	-	-	-	-	-	-	-	-	-	(656,115)	(656,115)
At 31 December 2001	2,407,622	946,454	168,087	48,989	44,058	-	4,083	10,239	1,948	768,390	4,399,870
Reserves retained by:											
Company and subsidiaries	2,407,622	946,454	158,203	48,875	44,058	-	2,677	2,007	1,948	500,531	4,112,375
Jointly-controlled entities	-	-	-	-	-	-	-	-	-	(9,075)	(9,075)
Associates	-	-	9,884	114	-	-	1,406	8,232	-	276,934	296,570
At 31 December 2001	2,407,622	946,454	168,087	48,989	44,058	-	4,083	10,239	1,948	768,390	4,399,870

Note: In accordance with SSAP 17 (revised) which came into effect for the first time for the current year's financial statements, other property revaluation reserve, representing the frozen revaluation reserve of certain investment properties upon transfer to leasehold land and buildings in prior year, is reclassified to investment property revaluation reserve during the year.

Notes to the Financial Statements (cont'd)

31 December 2001

34. RESERVES (cont'd)

The amounts of goodwill and negative goodwill remaining in capital reserve, arising from the acquisition of subsidiaries and an associate 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	370,529	(203,718)
Release of goodwill upon deemed disposal of a listed subsidiary	(48,704)	–
Share of release of goodwill upon disposal of an associate and a subsidiary by an associate	(40,909)	–
	280,916	(203,718)
Accumulated impairment:		
Prior year adjustment (note 4) and balance at 31 December 2001	167,549	–
Net amount:		
At 31 December 2001	113,367	(203,718)
At 31 December 2000		
As originally stated	370,529	(203,718)
Prior year adjustment	(167,549)	–
As restated	202,980	(203,718)

COMPANY	Special capital reserve HK\$'000	Share premium account HK\$'000	Investment revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2000	–	946,454	62,369	1,948	638,887	1,649,658
Loss for the year	–	–	–	–	(47,027)	(47,027)
At 31 December 2000 and 1 January 2001	–	946,454	62,369	1,948	591,860	1,602,631
Impairment loss of investment in a subsidiary	–	–	(62,369)	–	–	(62,369)
Transfer from share capital upon reduction in nominal value (note 33)	2,407,622	–	–	–	–	2,407,622
Loss for the year	–	–	–	–	(266,556)	(266,556)
At 31 December 2001	2,407,622	946,454	–	1,948	325,304	3,681,328

Notes to the Financial Statements (cont'd)

31 December 2001

35. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001 HK\$'000	2000 HK\$'000
Profit/(loss) from operating activities	(641,400)	190,669
Depreciation	38,529	48,761
Amortisation of long term investments	583	1,400
Provision for impairment of other investments	–	642
Deficit on revaluation of hotel properties	55,001	6,953
Impairment of fixed assets	21,516	4,855
Impairment of properties under development	282,293	–
Impairment of investments in jointly-controlled entities	211,659	–
Provision for doubtful debts	5,607	9,223
Loss on deemed disposal of a listed subsidiary	162,312	–
Loss on disposal of fixed assets, net	1,793	1,065
Gain on disposal of investment properties	(950)	–
Write-back of provision for impairment of long term investments	(10,467)	(13,021)
Interest income	(30,278)	(68,248)
Gain on disposal of other investments	–	(13,076)
Loss on disposal of subsidiaries	–	971
Release of goodwill on liquidation of a subsidiary	–	943
Write-back of provisions against inventories	–	(9,572)
Dividend from a long term investment	–	(4,070)
Transfer from properties under development to cost of sales	–	7,919
Decrease in inventories	15,366	59,647
Decrease in properties held for sale	67,715	124,767
Decrease/(increase) in trade receivables, prepayments and other debtors	(130,034)	88,134
Decrease/(increase) in amounts due from fellow subsidiaries	20,647	(15,468)
Increase/(decrease) in trade payables, accruals and other liabilities	170,177	(77,593)
Increase in amounts due to related companies	87,450	1,300
Increase/(decrease) in amounts due to fellow subsidiaries	(75,818)	50,345
Net cash inflow from operating activities	251,701	396,546

Notes to the Financial Statements (cont'd)

31 December 2001

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

(b) Analysis of changes in financing during the year

	Bank loans	Due to holding companies	Minority interests
	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2000	983,195	89,603	914,829
Net cash outflow from financing	(120,515)	(43,309)	(7,139)
Dividends paid to minority shareholders	–	–	(9,682)
Share of profit for the year	–	–	47,297
Share of reserves released upon disposal of other investments	–	–	(3,739)
Share of deficit on revaluation of hotel properties	–	–	(583)
Share of surplus on revaluation of investment properties	–	–	1,950
Disposal of subsidiaries	–	–	(478)
Balances at 31 December 2000 and 1 January 2001	862,680	46,294	942,455
Net cash inflow/(outflow) from financing	138,865	2,634	(834)
Dividends payable to minority shareholders	–	–	(15,421)
Share of profit for the year	–	–	4,692
Share of reserves released upon disposal of investment properties	–	–	(609)
Share of deficit on revaluation of hotel properties	–	–	(2,654)
Share of surplus on revaluation of investment properties	–	–	571
Deemed disposal of a listed subsidiary	(30,444)	–	(800,158)
Balances at 31 December 2001	971,101	48,928	128,042

Notes to the Financial Statements (cont'd)

31 December 2001

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

(c) Disposal of subsidiaries

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

Notes to the Financial Statements (cont'd)

31 December 2001

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

(d) Deemed disposal of a listed subsidiary

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Fixed assets	244,832	–
Interests in associates	234,264	–
Long term investments	60,488	–
Advance to an investee company	12,751	–
Pledged bank deposits	5,323	–
Inventories	51,189	–
Other investments	25,130	–
Trade receivables, prepayments and other debtors	208,677	–
Due from fellow subsidiaries	825	–
Time deposits with original maturity of more than three months	72,778	–
Cash and bank balances	1,035,665	–
Trade payables, accruals and other liabilities	(243,539)	–
Tax payable	(4,021)	–
Bank loans	(30,444)	–
Due to fellow subsidiaries	(5,844)	–
Due to related companies	(102,008)	–
Minority interests	(800,158)	–
	765,908	–
Goodwill written back on deemed disposed	48,704	–
Loss on deemed disposal of a listed subsidiary	(162,312)	–
	652,300	–
Satisfied by:		
Reclassification to interests in associates	652,300	–
Analysis of net outflow of cash and cash equivalents in respect of deemed disposal of a listed subsidiary	1,035,665	–

The listed subsidiary being deemed disposed of during the year utilised HK\$76,916,000 of the Group's net operating cash inflows, utilised HK\$29,703,000 in respect of returns on investments and servicing of finance, paid HK\$235,000 tax, utilised HK\$17,883,000 for investing activities and contributed HK\$7,413,000 to financing activities. The consolidated turnover and profit attributable to shareholders of the Group contributed by this subsidiary for the year amounted to HK\$677,357,000 and HK\$25,829,000 respectively.

Notes to the Financial Statements (cont'd)

31 December 2001

36. 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:				
Non wholly-owned subsidiaries	-	-	46,729	84,112
An associate	-	270,550	-	270,550
An investee company	-	8,900	-	-
	-	279,450	46,729	354,662

37. OPERATING LEASE ARRANGEMENTS

The Group leases its investment properties and leasehold land and buildings under operating lease arrangements, with leases negotiated for terms ranging from 2 to 15 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	36,426	38,259
In the second to fifth years, inclusive	62,405	29,241
After five years	98,463	-
	197,294	67,500

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 lease, as detailed above.

38. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 37 above, the Group had the following commitments at the balance sheet date:

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Capital commitments contracted for in respect of land, properties and plant	150,917	72,924

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

Notes to the Financial Statements (cont'd)

31 December 2001

39. CONNECTED AND RELATED PARTY TRANSACTIONS

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

		GROUP	
	Notes	2001 HK\$'000	2000 HK\$'000
Transactions with fellow subsidiaries:			
Sale of goods	(i)	–	8,967
Purchases of goods	(i)	60,121	745,859
Freight charges and commission paid	(i)	5,431	11,339
Rental income	(i)	3,846	7,241
Hotel management fee expense	(ii)	7,514	8,997
Building management fee	(i)	755	2,639
Interest expense paid	(iii)	2,144	1,904
Transactions with a holding company:			
Interest expense	(iv)	–	3,564
Operating lease rentals paid	(i)	–	1,031
Transactions with the ultimate holding company			
Purchases of goods	(i)	–	15,047
Sale of goods	(i)	105,489	–

Notes:

- (i) These transactions were carried out at prevailing market prices or, where no market prices were 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 rates ranging from 3.5% to 6% per annum.
- (iv) The interest expense was charged on the 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 in notes (i) and (ii) above also constituted connected transactions disclosable in the financial statements as required by the Listing Rules.

Notes to the Financial Statements (cont'd)

31 December 2001

40. PRINCIPAL SUBSIDIARIES

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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
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 and development
Brunton Holdings Limited	British Virgin Islands	Ordinary US\$1	100	*100	Investment holding
Dalian Gloria Plaza Hotel Co., Ltd. †	PRC	US\$11,200,000	70	70	Hotel ownership and operations
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
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 Top Glory Square House Development Co., Ltd. ††	PRC	US\$7,500,000	92.5	92.5	Property development

Notes to the Financial Statements (cont'd)

31 December 2001

40. PRINCIPAL SUBSIDIARIES (cont'd)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shenyang Gloria Plaza Co., Ltd. †	PRC	US\$14,400,000	65	65	Hotel ownership and operations
Top Spring Development (Xiamen) Limited	Hong Kong/ PRC	Ordinary HK\$10,000	100	*100	Property investment and development

* Directly held by the Company

§ Wholly foreign-owned enterprise

† Sino-foreign equity joint venture

†† Sino-foreign co-operative joint venture

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.

41. ASSOCIATES

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

Name	Place of incorporation/ registration and operations	Business structure	Percentage of ownership attributable to the Group	Principal activities
COFCO International	Bermuda	Corporate	21.52	Investment holding

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

Notes to the Financial Statements (cont'd)

31 December 2001

42. JOINTLY-CONTROLLED ENTITIES

Particulars of the Group's jointly-controlled entities at 31 December 2001 were as follows:

Name	Business structure	Principal place of operations	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Shenzhen Xin An Lake Industry Company Limited	Corporate	PRC	100%	50%	40-45%	Property development and letting
Shenzhen Xin An Lake Properties Management Co., Ltd.	Corporate	PRC	40%	50%	40%	Property management
Beijing Railway Culture Plaza Co. Ltd. ("BRCP")	Corporate	PRC	100%	50%	Note	Property letting

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 nine 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.

43. 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.

44. APPROVAL OF THE FINANCIAL STATEMENTS

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