NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001 (Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost.

(c) Subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(j)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001 (Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates (continued)

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case it is stated at fair value with changes in fair value recognised in the consolidated income statement as they arise. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(h).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

(e) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share in the fair value of the identifiable assets and liabilities acquired. Positive goodwill is stated at cost less any accumulated amortisation and any impairment losses (see note 1(j)). Positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life.

In respect of acquisitions of associates, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 1(j)) is included in the carrying amount of the interest in associates.

Negative goodwill arising on acquisitions of subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

In respect of any negative goodwill not yet recognised in the consolidated income statement:

– for subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001 (Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Goodwill (continued)

– for associates, such negative goodwill is included in the carrying amount of the interest in associates.

On disposal of a subsidiary or an associate during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement is included in the calculation of the profit or loss on disposal.

(f) Fixed assets

(i) Fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(j)).

(ii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the financial statements on the date of retirement or disposal.

(g) Intangible asset (other than goodwill)

Intangible asset represents an exclusive right acquired by the Group for the use of certain trademarks. Intangible asset is stated in the balance sheet at cost less accumulated amortisation (see note 1(h)) and impairment losses (see note 1(j)).

(h) Amortisation and depreciation

(i) Land use rights are amortised on a straight-line basis over the period of the grant.

(ii) Depreciation is calculated to write off the cost of fixed assets on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values, as follows:

– buildings are depreciated on a straight-line basis over the shorter of their estimated useful lives, being 50 years from the date of completion, and the unexpired terms of the land use rights; and

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001 (Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Amortisation and depreciation (continued)

– other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	Over the unexpired term of the lease
Oil pipeline and ancillary facilities	Over the unexpired term of the joint venture
Machinery and equipment	10 years
Furniture, fixtures and office equipment	5 to 7 years
Motor vehicles	5 to 12 years

(iii) Amortisation of intangible asset is charged to the income statement on a straight line basis over its estimated useful life of 20 years.

(i) Construction in progress

Construction in progress is stated at cost. Cost comprises direct costs of construction as well as interest expenses capitalised during the periods of construction and installation.

No depreciation is provided in respect of construction in progress.

(j) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets;

– investments in subsidiaries and associates (except for those accounted for at fair value under notes 1(c) and (d));

– intangible asset; and

– positive goodwill.

If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, or are amortised over more than 20 years from the date when the asset is available for use or goodwill that is amortised over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001 (Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (continued)

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales tax and is after deduction of any trade discounts.

(ii) Transportation income

Revenue from provision of crude oil transportation, storage and unloading services is recognised upon performance of the services. Revenue excludes sales taxes is after deduction of any trade discounts.

(iii) Interest income

Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and at the rate applicable.

(n) Translation of foreign currencies

Foreign currency transactions during the year are translated into Renminbi at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in currencies other than Renminbi are translated into Renminbi at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

(o) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(p) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001 (Expressed in Renminbi)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(r) Cash equivalents

For the purposes of the cash flow statement, cash equivalents include bank overdrafts and advances from banks repayable within three months from the date of the advance.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Retirement costs

The employees in certain subsidiaries in the People's Republic of China (the "PRC") are members of the state-sponsored retirement benefit scheme organised by the PRC government. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme. Such contributions are charged to the income statement when incurred.

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance in respect of employees in Hong Kong are charged to the income statement when incurred.

2 TURNOVER

The principal activity of the Company is investment holding. The principal activities of the Group are manufacturing and sale of instant food products and provision of crude oil transportation, storage and unloading services.

Turnover represents the aggregate of revenue from provision of crude oil transportation, storage and unloading services less business tax, and sales value of instant food products supplied to customers, less goods returned, trade discounts and value added tax, after eliminating inter-company transactions. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2001 **RMB'000**	2000 RMB'000
Continuing operations		
Revenue from provision of crude oil transportation, storage and unloading services *(note (i))*	**106,674**	–
Discontinued operations		
Sales of instant food products *(note (ii))*	**96,350**	147,831
	203,024	147,831

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001 (Expressed in Renminbi)

2 TURNOVER (CONTINUED)

Notes:

(i) In March 2001, the Group acquired 100% equity interest in Bamber Resources Limited and shareholders' loans due by Bamber Resources Limited from certain independent third parties for a total cash consideration of RMB45,861,000. Bamber Resources Limited is an investment holding company and its sole subsidiary, Xinjiang Xingmei Oil-Pipeline Co., Limited, is engaged in the provision of crude oil transportation, storage and unloading services in the Xinjiang Autonomous Region, the PRC.

(ii) In November 2001, the Group entered into an agreement for the sale of its entire interests in certain subsidiaries which are engaged in the instant food operations in the PRC, a separate business segment, as well as the loans due by these subsidiaries to the Group for a total consideration of RMB160,000,000. Control of the subsidiaries is effectively ceased at the end of December 2001. The Group recorded a profit on disposal of RMB18,404,000 in the consolidated income statement. Following the sale, the Group ceased its instant food operations.

3 OTHER REVENUE

	2001 RMB'000	2000 RMB'000
Interest income	**3,180**	697
Licence fee	**2,808**	5,240
(Loss)/profit on sale of raw materials	**(42)**	89
Compensation receivable for illegal use of trademarks	**12**	118
Others	**228**	370
	6,186	6,514

4 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging and (crediting):

	2001 RMB'000	2000 RMB'000
(a) *Finance costs*		
Interest on bank advances wholly repayable within five years	**22,704**	1,553
Other borrowing costs	**106**	–
Total borrowing costs	**22,810**	1,553
Less: Borrowing costs capitalised into construction in progress *	**(4,112)**	–
	18,698	1,553

* The borrowing costs are capitalised at rates ranging between 5% and 6% per annum (2000: Nil) for construction in progress.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001 (Expressed in Renminbi)

4 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION (CONTINUED)

	2001	2000
	RMB'000	RMB'000
(b) Other items		
Cost of inventories *	**68,444**	95,194
Staff costs (including retirement costs of RMB1,412,000 (2000: RMB1,325,000))	**17,549**	11,703
Amortisation of negative goodwill	**(432)**	–
Amortisation of intangible asset	**1,900**	1,900
Loss on disposal of fixed assets	**270**	126
Auditors' remuneration		
– current year	**1,367**	920
– underprovision in prior year	**186**	–
Depreciation	**21,451**	5,473
Operating lease charges in respect of properties	**3,191**	851
Provision for bad debts	**64**	3,000
Write off of obsolete stocks	**–**	910

* Cost of inventories includes RMB5,905,000 (2000: RMB7,158,000) relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

5 TAXATION

(a) Taxation in the consolidated income statement represents:

	2001	2000
	RMB'000	RMB'000
Provision for PRC income tax for the year	**–**	4,565
Deferred taxation *(note 24(a))*	**–**	(310)
	–	4,255

No provision for Hong Kong profits tax has been made in the financial statements as the Group did not derive any income subject to Hong Kong profits tax during the year.

PRC income tax for the year ended 31 December 2000 was charged at the applicable rates of taxation in respect of the estimated assessable profits arising from the Group's instant food business in the PRC. No provision for PRC income tax is required for the year ended 31 December 2001 in respect of the Group's instant food business as the relevant subsidiaries sustained losses for taxation purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001 (Expressed in Renminbi)

5 TAXATION (CONTINUED)

(a) Taxation in the consolidated income statement represents (continued)

Pursuant to relevant PRC laws and regulations applicable to the Sino-foreign equity joint venture enterprises, the Company's subsidiary which is engaged in the crude oil transportation business is exempted from PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction for the subsequent three years. Furthermore, pursuant to an approval document dated 19 April 2000 issued by the relevant tax authorities, that subsidiary has been granted certain tax relief, whereby it is subject to PRC income tax at a reduced tax rate of 15% for three years subsequent to the 50% reduction period. No provision for PRC income tax has been made in respect of the profit of the subsidiary as it is exempted from PRC income tax during the year.

(b) Taxation in the balance sheet represents:

	2001 **RMB'000**	2000 RMB'000
Provision for PRC income tax for the year	**–**	4,565
Balance of PRC income tax provision relating to prior years	**–**	10,471
	–	15,036

6 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2001 **RMB'000**	2000 RMB'000
Fees	**278**	500
Salaries and other emoluments	**5,007**	4,894
Retirement scheme contributions	**34**	–
	5,319	5,394

Included in the directors' remuneration were fees of RMB278,000 (2000: RMB329,000) payable to the independent non-executive directors.

6 DIRECTORS' REMUNERATION (CONTINUED)

The remuneration of the directors is within the following bands:

	Number of directors	
	2001	2000
RMBNil – RMB1,060,000 (approximately equivalent to HK$Nil – HK$1,000,000)	**16**	9
RMB1,060,001 – RMB1,590,000 (approximately equivalent to HK$1,000,001 – HK$1,500,000)	**1**	1
	17	10

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, all of the five individuals with the highest emoluments are directors whose emoluments are disclosed in note 6 except for an amount of RMB581,000 relating to salaries earned by an individual subsequent to his resignation as a director in April 2001. In the previous year, the five highest paid individuals comprise four directors whose emoluments are disclosed in note 6. The emoluments in respect of the other one individual are as follows:

	2000
	RMB'000
Salaries and other emoluments	696
Retirement scheme contributions	–
	696

The emoluments of the individual with the highest emoluments are within the band of RMBNil–RMB1,060,000 (approximately equivalent to HK$Nil–HK$1,000,000).

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a loss of RMB7,573,000 (2000: RMB4,172,000) which has been dealt with in the financial statements of the Company.

9 DIVIDENDS

The directors have not declared nor proposed any dividends in respect of the year ended 31 December 2001 (2000: RMBNil).

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of RMB43,728,000 (2000: RMB1,768,000) and the weighted average of 2,761,700,000 shares (2000: 2,446,918,000 shares after adjusting for the subdivision of shares in 2001) in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001 (Expressed in Renminbi)

10 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of RMB43,728,000 (2000: RMB1,768,000) and the weighted average number of 2,858,678,000 shares (2000: 2,520,146,000 shares after adjusting for the subdivision of shares in 2001) after adjusting for the effects of all potential dilutive shares.

(c) Reconciliations

	No of shares	
	2001	2000
	'000	'000
Weighted average number of shares used in calculating basic earnings per share	**2,761,700**	2,446,918
Deemed issue of shares for no consideration	**96,978**	73,228
Weighted average number of shares used in calculating diluted earnings per share	**2,858,678**	2,520,146

11 SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments. As all of the Group's revenue and results were substantially derived from the PRC, no geographical segment information is presented.

Business segments

The Group comprises the following main business segments:

Discontinued operations

Instant food: The manufacturing and sale of instant food products.

Continuing operations

Crude oil: The operation of crude oil transportation, storage and unloading facilities.

Natural gas: The operation of a natural gas pipeline network and refilling stations supplying natural gas, liquefied petroleum gas and petroleum for vehicle use.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001 (Expressed in Renminbi)

11 SEGMENT REPORTING (CONTINUED)

	2001 RMB'000	2000 RMB'000
Segment reporting		
Revenue from external customers		
– Instant food	**96,350**	147,831
– Crude oil	**106,674**	–
Total revenue from external customers	**203,024**	147,831
Other revenue		
– Instant food	**3,004**	5,530
– Crude oil	**1,286**	–
– Unallocated revenue	**1,896**	984
Total other revenue	**6,186**	6,514
Total operating revenue	**209,210**	154,345
Segment result		
Profit/(loss) from operations		
– Instant food	**(4,225)**	24,819
– Crude oil	**74,180**	–
– Unallocated expenses	**(14,679)**	(16,401)
Total profit from operations	**55,276**	8,418
Finance costs	**(18,698)**	(1,553)
Profit on disposal of subsidiaries		
– Instant food	**18,404**	–
Share of losses of associates		
– Natural gas	**(61)**	–
Profit from ordinary activities before tax	**54,921**	6,865
Taxation	**–**	(4,255)
Profit from ordinary activities after tax	**54,921**	2,610
Minority interests	**(11,193)**	(842)
Profit attributable to shareholders	**43,728**	1,768

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001 (Expressed in Renminbi)

11 SEGMENT REPORTING (CONTINUED)

	2001 RMB'000	2000 RMB'000
Segment result (continued)		
Depreciation and amortisation		
– Instant food	**7,590**	7,370
– Crude oil	**15,101**	–
– Unallocated	**228**	3
	22,919	7,373
Significant non-cash expenses		
– Instant food	**540**	3,910
Segment assets		
– Instant food	**–**	215,200
– Crude oil	**532,025**	–
Investment in associates		
– Natural gas	**56,155**	–
Unallocated assets	**175,744**	27,579
Total assets	**763,924**	242,779
Segment liabilities		
– Instant food	**–**	45,909
– Crude oil	**20,404**	–
Unallocated liabilities	**408,274**	48,203
Total liabilities	**428,678**	94,112
Capital expenditure incurred during the year		
– Instant food	**211**	4,515
– Crude oil	**72,921**	–
– Natural gas	**56,216**	–
– Unallocated	**1,478**	–
	130,826	4,515

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001 (Expressed in Renminbi)

12 FIXED ASSETS

The Group

	Land use rights and buildings RMB'000	Machinery and equipment RMB'000	Oil pipeline and ancillary facilities RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost:							
At 1 January 2001	27,465	22,295	–	12,721	7,264	–	69,745
Additions							
– through acquisition of subsidiaries	–	–	300,036	390	304	–	300,730
– others	–	150	2,149	636	–	1,124	4,059
Disposals							
– through disposal of subsidiaries	(27,465)	(22,776)	–	(12,152)	(7,155)	–	(69,548)
– others	–	–	–	(597)	(109)	–	(706)
Transfer from construction in progress *(note 13)*	2,909	331	27,792	–	1,985	–	33,017
At 31 December 2001	2,909	–	329,977	998	2,289	1,124	337,297
Aggregate depreciation:							
At 1 January 2001	5,211	9,628	–	5,807	3,877	–	24,523
Through acquisition of subsidiaries	–	–	13,071	51	42	–	13,164
Charge for the year	1,061	1,970	15,362	1,985	919	154	21,451
Through disposal of subsidiaries	(6,272)	(11,598)	–	(7,338)	(4,585)	–	(29,793)
Written back on disposal	–	–	–	(315)	(102)	–	(417)
At 31 December 2001	–	–	28,433	190	151	154	28,928
Net book value:							
At 31 December 2001	2,909	–	301,544	808	2,138	970	308,369
At 31 December 2000	22,254	12,667	–	6,914	3,387	–	45,222

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001 (Expressed in Renminbi)

12 FIXED ASSETS (CONTINUED)

The oil pipeline and ancillary facilities consist of an oil pipeline of approximately 70 kilometers, connecting the Ta He Oil Field (塔河油田) and Lun Tai (輪台縣) railway station in Xinjiang Autonomous Region and ancillary facilities including oil tanks and loading bays to facilitate the operation of the oil pipeline. The Group has obtained the preliminary approval of the Xinjiang Government to use the land for construction of the oil pipeline and is in the process of applying for the land use rights. In the opinion of the directors, no land premium will be payable for the grant of the land use rights.

As at 31 December 2001, certain of the oil pipeline and ancillary facilities with a total estimated carrying value of RMB236 million were pledged to a bank for bank loans of RMB150,000,000 granted to the Group.

As at 31 December 2000, land use rights and buildings with a total estimated carrying value of RMB20,304,000 were pledged to a bank for bank loans of RMB20,930,000 granted to a subsidiary of the Group. The subsidiary was disposed of during the year ended 31 December 2001.

13 CONSTRUCTION IN PROGRESS

	The Group	
	2001	2000
	RMB'000	RMB'000
At 1 January	**331**	321
Acquisition of subsidiaries	**141,483**	–
Additions	**23,859**	677
Interest capitalisation	**4,112**	–
Transfer to fixed assets *(note 12)*	**(33,017)**	(667)
At 31 December	**136,768**	331

Construction in progress comprises mainly a heat pump station which is being constructed along the oil pipeline to increase its transportation capacity.