31 December 2002

(Expressed in Renminbi unless otherwise stated)

1. GROUP REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

a) Group Reorganization

The Company was incorporated in Bermuda on 27 July 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda.

Pursuant to a group reorganization (the "Reorganization") to rationalise the Group's structure in preparation for the public listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the Group upon the completion of the Reorganization on 17 January 2002.

Further details of the Reorganization are set out in the prospectus issued dated 30 January 2002 by the Company (the "Prospectus") and the details of the subsidiaries acquired pursuant to the Reorganisation are set out in note 16 to the financial statements. The shares of the Company were listed on the Main Board of the Stock Exchange with effect from 11 February 2002.

b) Basis of Preparation of Financial Statements

The Company and its subsidiaries resulting from the Reorganization have been treated as a continuing entity, and accordingly, the Reorganization has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group for both years presented, rather than from 17 January 2002. Accordingly, the consolidated results of the Group for the years ended 31 December 2001 and 2002 include the results of the Company and its subsidiaries with effect from 1 January 2001 or since their respective dates of incorporation, where there is a shorter period.

The consolidated balance sheet at 31 December 2001 is a combination of the balance sheets of the companies comprising the Group as at 31 December 2001.

2. PRINCIPAL ACCOUNTING POLICIES

a) Statement of Compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAPs") and Interpretations issued by the Hong Kong Society of Accountants ("HKSA"), 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. A summary of the principal accounting policies adopted by the Group is set out below.

b) Basis of Measurement

The financial statements have been prepared on a historical cost basis.

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2. PRINCIPAL ACCOUNTING POLICIES (continued)

c) Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their 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 recognized 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 2(e)), 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 recognized in the income statement as they arise.

d) Fixed Assets and Depreciation

Fixed assets, other than construction-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses (see note 2(e)). Major expenditures on modifications and betterments of fixed assets which will result in future economic benefits are capitalized, while expenditures on maintenance and repairs are expensed when incurred. Depreciation is provided on a straight-line basis to write off the cost less estimated residual value of each asset over its estimate useful life. The annual rates of depreciation are as follows:

Land	Over lease terms
Buildings	5%
Machinery	15%
Furniture and equipment	20%
Motor vehicles	20%

Construction-in-progress represents buildings under construction and machinery pending installation. It is stated at cost, which includes construction expenditures incurred, cost of machinery and other direct costs capitalized during the construction and installation period. No depreciation is provided in respect of construction-in-progress until the construction and installation work is completed.

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 recognized in the income statement on the date of retirement or disposal.

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2. PRINCIPAL ACCOUNTING POLICIES (continued)

e) Impairment of Assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the fixed assets and investment in the subsidiary may be impaired or an impairment loss previously recognized no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

(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*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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

f) Inventories

Inventories are stated at the lower of cost and net realizable value.

Cost includes cost of raw materials determined using the weighted average method of costing and in the case of finished goods, also direct labour and an appropriate proportion of production overheads.

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

g) Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

h) Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense in the period in which it is incurred.

Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labour and an appropriate proportion of overheads. No development cost was capitalized as at 31 December 2002 and 2001.

i) Employee Benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and a state-sponsored retirement plan organized by municipal government as stipulated by the regulations of the People's Republic of China (the "PRC") are recognized as an expense in the income statement as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(iii) When the Group grants employees options to acquire shares of the Company at a consideration of HK$1, no employee benefit cost or obligation is recognized at the date of grant. When the options are exercised, equity is increased by the amount of proceeds received.

(iv) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

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2. PRINCIPAL ACCOUNTING POLICIES (continued)

j) 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 crystallize in the foreseeable future.

Future deferred tax benefits are not recognized unless their realization is assured beyond reasonable doubt.

k) Provisions and Contingent Liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

l) Revenue Recognition

Revenue is recognized when the outcome of a transaction can be measured reliably and it is probable that the economic benefits will flow to the Group. Revenue is recognized in the income statement as follows:

(i) *Sale of goods*

Revenue is recognized 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 tax and is after deduction of any goods returns and trade discounts.

(ii) *Subsidy income*

Subsidy income is recognized when the right to receive payment is established.

(iii) *Interest income*

Interest income is recognized on a time proportion basis by reference to the principal outstanding and the rate applicable.

m) Translation of Foreign Currencies

The financial statements is prepared in Renminbi ("RMB").

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2. PRINCIPAL ACCOUNTING POLICIES (continued)

m) Translation of Foreign Currencies (continued)

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 foreign currencies 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.

The results of subsidiaries which are not denominated in Renminbi are translated into Renminbi at the average exchange rates for the year; balance sheet items are translated into Renminbi at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

n) 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 capitalized 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 capitalization 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. Capitalization 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 completed.

o) Operating Lease Charges

Leases of assets under which the lessors has not transferred all the risks and benefits of ownership are classified as operating leases.

Where the Group has the use of the 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 recognized in the income statement as an integral part of the aggregate net lease payments made.

p) 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.

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2. PRINCIPAL ACCOUNTING POLICIES (continued)

q) 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.

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. 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.

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.

3. CHANGES IN ACCOUNTING POLICIES

The effects of the adoption of the applicable new or revised SSAPs issued by the HKSA on the results and financial position of the Company and the Group are as follows:

(i) SSAP 1 (Revised) "Presentation of financial statements"

The consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity.

(ii) SSAP 11 (Revised) "Foreign currency translation"

In prior years, the results of subsidiaries which are not denominated in Renminbi were translated into Renminbi at the rates of exchange ruling at the balance sheet date. With effect from 1 January 2002, in order to comply with SSAP 11 (revised) issued by the HKSA, the Group translates the results of these subsidiaries at the average exchange rate for the year. The effect of this change in accounting policy is not material and, therefore, the opening balances have not been restated.

(iii) SSAP 15 (Revised) "Cash flow statements"

A revised classification of activities from which cash flows are derived has been made. As a result, cash flow during the year has been reclassified by operating, investing and financing activities.

(iv) SSAP 34 "Employee benefits"

This SSAP 34 prescribes the accounting and disclosure requirements for employee benefits. This has had no major impact on the financial statements.

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4. TURNOVER

The principal activities of the Group are manufacturing and sales of food products.

Turnover represents the sales value of goods supplied to customers, which excludes value-added tax and is after deduction of any goods returns and trade discounts.

5. OTHER REVENUE

	2002 RMB'000	2001 RMB'000
Subsidy income*	**260**	263
Interest income from banks	**1,052**	2
Interest income from others	**—**	319
Others	**160**	1
	1,472	585

* Subsidy income represents discretionary grants received from a PRC local government authority in respect of the development of agricultural products carried out by Fuqing Longyu Food Development Co., Ltd., a wholly owned subsidiary.

6. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	2002 RMB'000	2001 RMB'000
(a) Finance costs		
Interest on borrowings wholly repayable within five years		
— bank loans and overdraft	**2,711**	2,725
— other loan	**—**	526
	2,711	3,251
Less: Write-back of provision for interest on other loan	**(1,909)**	—
	802	3,251

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6. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION (continued)

	2002 RMB'000	2001 RMB'000
(b) Staff costs#		
Contributions to Mandatory Provident Fund scheme	60	9
Contributions to PRC retirement scheme	507	254
Retirement cost	567	263
Salaries, wages and other benefits	17,146	8,401
	17,713	8,664
(c) Other items		
Cost of inventories (including provision of obsolete and slow-moving inventories of RMBnil (2001: RMB130,000))#	182,516	144,960
Depreciation of fixed assets#	9,749	7,038
Impairment loss on fixed assets	—	3,697
Loss on disposal of fixed assets	—	15
Operating lease charges in respect of premises	2,381	357
Research and development costs	1,060	—
(Write-back of provision)/provision for bad and doubtful debts	(277)	447
Auditors' remuneration		
— for the current year	351	509
— (over)/under-provision in prior years	(32)	1,535
Net exchange loss/(gain)	2,636	(29)

Cost of inventories includes approximately RMB12,104,000 (2001: RMB8,346,000) relating to staff costs and depreciation expenses that have been included in the respective total amount disclosed separately above or in note 6(b) for each of these types of expenses.

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7. TAXATION

(a) Taxation in the consolidated income statement represents:

	2002 RMB'000	2001 RMB'000
PRC enterprise income tax	**16,550**	14,574

Note:

(i) Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group had no estimated assessable profits arising in or derived from Hong Kong (2001: Nil).

(ii) PRC enterprise income tax

Fuqing Longyu Food Development Co., Ltd., a wholly owned subsidiary established in the Coastal Open Economic Area of the PRC, is subject to PRC enterprise income tax at a rate of 24%. However, it is exempted from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior years' tax losses, followed by a 50% reduction in PRC enterprise income tax for the next three years. Fuqing Longyu Food Development Co., Ltd. became profitable after offsetting prior year losses in the year ended 31 December 1998 and, accordingly, was exempted from PRC enterprise income tax for the years ended 31 December 1998 and 1999 and was subject to PRC enterprise income tax at a rate of 12% for the three years ended 31 December 2000, 2001 and 2002.

(iii) Deferred taxation

There was no significant unprovided deferred taxation for the years ended 31 December 2002 and 2001.

(b) Taxation in the consolidated balance sheet represents:

	2002 RMB'000	2001 RMB'000
PRC enterprise income tax	**3,822**	6,531
PRC urban real estate tax	**3,526**	2,932
	7,348	9,463

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8. DIRECTORS' REMUNERATION

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

	2002 RMB'000	2001 RMB'000
Executive directors:		
Fees	—	—
Salaries and other emoluments	**1,620**	312
Retirement scheme contributions	**34**	3
	1,654	315
Independent non-executive directors:		
Fees	**127**	—
	1,781	315

The remuneration of the directors is within the following bands:

	2002 Number of directors	2001 Number of directors
Nil – RMB1,060,000 (equivalent to approximately HK$1,000,000)	**8**	8
RMB1,060,000 – RMB1,590,000 (equivalent to approximately HK$1,500,000)	**1**	—
	9	8

During the years ended 31 December 2002 and 2001, no amounts were paid or payable to the directors as an inducement to join the Group or as a compensation for loss of office and no director waived any emoluments.

During the year ended 31 December 2002, no emoluments was paid or payable to the non-executive directors and the independent non-executive director.

During the year ended 31 December 2001, no emoluments was paid or payable to the executive director, the non-executive director and the two independent non-executive directors.

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9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2001: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2001: three) individuals are as follows:

	2002 RMB'000	2001 RMB'000
Salaries and other emoluments	988	288
Retirement scheme contributions	36	10
	1,024	298

The emoluments of the three (2001: three) individuals with the highest emoluments are within the following bands:

	2002 Number of individuals	2001 Number of individuals
Nil – RMB1,060,000 (equivalent to approximately HK$1,000,000)	3	3

During the years ended 31 December 2002 and 2001, no emolument was paid or payable to the five highest paid individuals (including directors and other employees) as an inducement to join the Group or as a compensation for loss of office.

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a loss of approximately RMB7,509,000 (2001: RMB43,000) which has been dealt with in the financial statements of the Company.

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11. DIVIDENDS ATTRIBUTABLE TO THE YEAR

	2002 RMB'000	2001 RMB'000
Interim dividend declared and paid by First China Technology Limited, a wholly owned subsidiary, to its then shareholders prior to the Reorganization	—	75,610
Final dividend proposed after the balance sheet date of HK$0.03 (equivalent to approximately RMB0.0318) per share (2001: Nil)	25,440	—
	25,440	75,610

The final dividend proposed after the balance sheet date has not been recognized as a liability at the balance sheet date.

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of approximately RMB108,698,000 (2001: RMB87,076,000) and on the weighted average of 778,000,000 ordinary shares (2001: 600,000,000 ordinary shares immediately prior to the public offer but after the capitalization issue as if the shares had been issued since 1 January 2001) in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share is not presented because there was no diluted potential ordinary shares in existence during the two years.

13. EMPLOYEE RETIREMENT SCHEMES

Set out below are the particulars of defined contribution retirement schemes operated by the Group.

(a) Nature of the schemes

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000 (equivalent to approximately RMB21,200), contributions to the MPF scheme vest immediately. Contributions paid or payable to the MPF scheme are charged to the income statement.

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13. EMPLOYEE RETIREMENT SCHEMES (continued)

(a) Nature of the schemes (continued)

The employees of the Group's subsidiary in the PRC are members of a state-sponsored retirement plan organized by the municipal government under the regulations of the PRC, and this subsidiary make mandatory contributions to the state-sponsored retirement plan to fund the employees' retirement benefits. The retirement contributions paid by the PRC subsidiary are based on 18% (2001: 19%) of the basic salary of its employees in accordance with the relevant regulations of the PRC and are charged to the income statement as incurred. The Group discharges its retirement obligations upon payment of the retirement contributions to the state-sponsored retirement plan organized by the municipal government in the PRC.

(b) Retirement benefit costs for the year were as follows:

	2002 RMB'000	2001 RMB'000
Contributions to Mandatory Provident Fund scheme	**60**	9
Contributions to PRC retirement scheme	**507**	254
	567	263

14. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

Business segments

The Group comprises the following main business segments:

Frozen marine food products	:	The manufacture and sale of frozen marine food products
Frozen functional food products	:	The manufacture and sale of frozen functional food products
Refrigerated processed meat products	:	The manufacture and sale of refrigerated processed meat products

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14. SEGMENT REPORTING (continued)

	Frozen marine food products		Frozen functional food products		Refrigerated processed meat products		Consolidated	
	2002 RMB'000	2001 RMB'000	**2002 RMB'000**	2001 RMB'000	**2002 RMB'000**	2001 RMB'000	**2002 RMB'000**	2001 RMB'000
Revenue from external customers	**209,525**	122,223	**127,134**	150,690	**157**	1,415	**336,816**	274,328
Segment result	**102,867**	60,799	**51,496**	68,271	**(63)**	298	**154,300**	129,368
Unallocated operating income and expenses							**(28,250)**	(24,467)
Profit from operations							**126,050**	104,901
Finance costs							**(802)**	(3,251)
Taxation							**(16,550)**	(14,574)
Profit attributable to shareholders							**108,698**	87,076
Depreciation for the year:								
Segment depreciation	**2,216**	522	**2,395**	2,398	**663**	662	**5,274**	3,582
Unallocated depreciation							**4,475**	3,456
							9,749	7,038
Segment assets	**63,603**	41,292	**36,270**	44,947	**1,396**	3,087	**101,269**	89,326
Unallocated assets							**352,169**	118,312
Total assets							**453,438**	207,638
Segment liabilities							**—**	—
Unallocated liabilities							**72,530**	73,770
Total liabilities							**72,530**	73,770
Capital expenditure incurred during the year:								
Segment capital expenditure	**14,458**	—	**—**	—	**—**	38	**14,458**	38
Unallocated capital expenditure							**41,341**	8,113
Total							**55,799**	8,151

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the destination of delivery of goods.

	PRC		Japan		Unites States of America		Korea		Total	
	2002 RMB'000	2001 RMB'000	**2002 RMB'000**	2001 RMB'000	**2002 RMB'000**	2001 RMB'000	**2002 RMB'000**	2001 RMB'000	**2002 RMB'000**	2001 RMB'000
Revenue from external customers	**3,097**	3,742	**249,488**	219,458	**83,326**	51,128	**905**	—	**336,816**	274,328

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14. SEGMENT REPORTING (continued)

Geographical segments (continued)

Approximately 91% (2001 : 94%) of the Group's sales for the year were exported from the PRC to Japan, United States of America and Korea using third party export companies in the PRC which have export rights.

There is no major disparity in the ratios between turnover and profit in relation to the above geographical locations; hence no analysis is given of the profit contributions from the above geographical locations.

No analysis of segment assets and capital expenditure incurred during the year by geographical location is presented as all of the Group's assets are located in the PRC (including Hong Kong).

15. FIXED ASSETS

	The Group							The Company
	Land	Buildings	Machinery	Furniture and equipment	Motor vehicles	Construction-in-progress	Total	Furniture and equipment
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost								
At 1 January 2002	10,292	60,119	25,898	358	798	3,757	101,222	—
Additions	—	17,637	36,133	1,085	944	—	55,799	750
Transfer	—	60	—	—	—	(60)	—	—
At 31 December 2002	10,292	77,816	62,031	1,443	1,742	3,697	157,021	750
Accumulated depreciation and impairment loss								
At 1 January 2002	338	12,390	13,143	219	651	3,697	30,438	—
Charge for the year	226	3,103	5,935	256	229	—	9,749	150
At 31 December 2002	564	15,493	19,078	475	880	3,697	40,187	150
Net book value								
At 31 December 2002	9,728	62,323	42,953	968	862	—	116,834	600
At 31 December 2001	9,954	47,729	12,755	139	147	60	70,784	—

Land and buildings are located in the PRC. The land is held under a land use right for a period of 50 years up to December 2045.

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16. INVESTMENT IN A SUBSIDIARY

	The Company	
	2002	2001
	RMB'000	RMB'000
Unlisted shares, at cost	**114**	—

At 31 December 2002, details of the subsidiaries were as follows:

Name of company	Place of incorporation and/or operation	Proportion of attributable equity interest held Directly %	Proportion of attributable equity interest held Indirectly %	Issued share capital/ registered capital	Principal activities
First China Technology Limited	British Virgin Islands/ Hong Kong	100%	—	US$1,000	Investment holding
Fuqing Longyu Food Development Co., Ltd.*	PRC	—	100%	US$5,000,000	Manufacturing and sale of food products

* Fuqing Longuy Food Development Co., Ltd. is a wholly owned foreign enterprise established in the PRC to be operated for 50 years up to November 2045.

17. PREPAID RENTALS

	The Group	
	2002	2001
	RMB'000	RMB'000
At 1 January	**3,933**	—
Amounts paid during the year	**12,000**	27,200
Amounts refunded upon cancellation of the agreements	**—**	(23,200)
	15,933	4,000
Amortization for the year	**(1,200)**	(67)
At 31 December	**14,733**	3,933

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18. INVENTORIES

	The Group	
	2002	2001
	RMB'000	RMB'000
Raw materials	**568**	1,139
Finished goods	**10,665**	9,876
	11,233	11,015
Less: Provision for obsolete and slow moving inventories	**(1,383)**	(1,383)
	9,850	9,632

There was no inventory carried at net realizable value as at 31 December 2002 and 2001.

19. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2002	2001	**2002**	2001
	RMB'000	RMB'000	**RMB'000**	RMB'000
Due from subsidiaries	**—**	—	**127,893**	—
Trade receivables	**44,700**	49,937	**—**	—
Loan due from a related company (note 20)	**—**	40,000	**—**	—
Advances to suppliers*	**2,515**	5,994	**—**	—
Rental and other deposits	**669**	501	**273**	—
Prepayments	**17**	2,307	**—**	2,294
Advances to employees	**41**	45	**—**	—
Others	**326**	450	**7**	—
	48,268	99,234	**128,173**	2,294

* All of the advances to suppliers as at 31 December 2002 will be settled through deduction of future purchases payable to these suppliers. All advances to suppliers are unsecured and non-interest bearing.

Apart from the advances to suppliers and rental and other deposits, all of the trade and other receivables are expected to be recovered within one year.

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19. TRADE AND OTHER RECEIVABLES (continued)

Included in trade and other receivables are trade receivables (net of specific provision for bad and doubtful debts) with the following ageing analysis:

	The Group	
	2002	2001
	RMB'000	RMB'000
0 to 1 month	**27,705**	44,537
1 to 3 months	**19,351**	8,033
	47,056	52,570
Less: General provision for bad and doubtful debts	**(2,356)**	(2,633)
	44,700	49,937

The Group generally does not grant any pre-determined credit terms to customers. Debts are usually settled within 3 months from the date of billing. Debtors with balances that are more than 3 months are requested to settle all outstanding balance before any further credit is granted.

20. LOAN DUE FROM A RELATED COMPANY

Loan from a related company disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

Name of borrower	:	Fuqing City Shangjing Longsheng Experimental Breeding Farm
Name of director having controlling interest	:	Mr. Yeung Chung Lung
Terms of the loan		
— duration and repayment terms	:	Repayable on 31 January 2002
— interest rate	:	None
— security	:	None
Balance of the loan		
— at 1 January 2001	:	Nil
— at 31 December 2001 and 1 January 2002	:	RMB40,000,000
— at 31 December 2002	:	Nil
Maximum balance outstanding		
— during 2002	:	RMB40,000,000
— during 2001	:	RMB40,000,000

There was no interest due nor any provision made against this loan at 31 December 2001. The loan was settled in January 2002.

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21. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2002 RMB'000	2001 RMB'000	**2002 RMB'000**	2001 RMB'000
Deposits with banks and other financial institutions	**37,100**	—	**5,300**	—
Cash at bank and in hand	**221,353**	24,055	**139**	5
Cash and cash equivalents in the balance sheets	**258,453**	24,055	**5,439**	5
Less: Bank deposits with original maturity over 3 months	**(31,800)**	—		
Cash and cash equivalents in the consolidated cash flow statement	**226,653**	24,055		

22. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2002 RMB'000	2001 RMB'000	**2002 RMB'000**	2001 RMB'000
Loan payable*	**—**	1,300	**—**	—
Trade payables	**1,580**	1,950	**—**	—
Accruals and other payables	**2,262**	11,867	**1,069**	1,558
Due to a subsidiary	**—**	—	**—**	453
Due to a director**	**4,659**	2,635	**2,353**	331
	8,501	17,752	**3,422**	2,342

* Loan from the provincial government of Fujian Province, the PRC was unsecured, repayable on demand and bore interest at 2% per month. During the year, the loan was repaid in full and the lender agreed not to charge any interest.

** The amount due to Mr. Yeung Chung Lung, a director of the Company, is unsecured, non-interest bearing and without pre-determined repayment terms.

All of the trade and other payables are expected to be settled within one year.

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22. TRADE AND OTHER PAYABLES (continued)

Included in trade and other payables are trade payables with the following ageing analysis.

	The Group	
	2002	2001
	RMB'000	RMB'000
Due within 1 month or on demand	**849**	1,094
Due after 1 month but within 3 months	**553**	432
Due after 3 months but within 6 months	**86**	378
Due after 6 months	**92**	46
	1,580	1,950

23. BANK LOANS, UNSECURED

At 31 December 2002, the bank loans were analysed as follows:

	The Group	
	2002	2001
	RMB'000	RMB'000
Within 1 year or on demand and classified under current liabilities	**41,500**	34,500
After 1 year but within 2 years	**—**	7,000
After 2 years but within 5 years	**—**	—
After 5 years	**—**	—
Non-current portion	**—**	7,000
	41,500	41,500

24. PROVISION FOR STAFF WELFARE BENEFIT

	The Group	
	2002	2001
	RMB'000	RMB'000
At 1 January	**5,055**	212
Provision made for the year	**10,893**	5,384
Provision utilised for the year	**(767)**	(541)
At 31 December	**15,181**	5,055

The provision can be utilized for the provision of collective welfare of the employees of Fuqing Longyu Food Development Co., Ltd., a wholly owned subsidiary.

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25. SHARE CAPITAL

(a) The Group

	Note	2002 Number of share '000	2002 Amount RMB'000	2001 Number of share '000	2001 Amount RMB'000
Authorised:					
— Ordinary shares of HK$0.05 (equivalent to approximately RMB0.053) each					
Upon incorporation of the Company	(b)	100	106	—	—
Subdivision of shares into HK$0.05 each	(c)	1,900	—	—	—
Increase in authorised share capital	(d)	1,998,000	105,894	—	—
At 31 December		2,000,000	106,000	—	—
Issued and fully paid:					
— Ordinary shares of HK$0.05 (equivalent to approximately RMB0.053) each					
At 1 January	(a)	—	8	—	41,535
Capital eliminated on consolidation		—	(8)	—	(41,527)
Issue of shares upon incorporation	(b) and (e)	100	106	—	—
Subdivision of shares into HK$0.05 each	(c)	1,900	—	—	—
Issue of shares arising from the Reorganization	(e)	156	8	—	—
Issue of shares on initial public offering	(f)	200,000	10,600	—	—
Capitalisation issue of shares	(g)	597,844	31,686	—	—
At 31 December		800,000	42,400	—	8

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25. SHARE CAPITAL (continued)

(b) The Company

	Note	2002 Number of share '000	2002 Amount RMB'000	2001 Number of share '000	2001 Amount RMB'000
Authorised:					
— Ordinary shares of HK$0.05 (equivalent to approximately RMB0.053) each					
Upon incorporation of the Company	(b)	**100**	**106**	100	106
Subdivision of shares into HK$0.05 each	(c)	**1,900**	**—**	—	—
Increase in authorised share capital	(d)	**1,998,000**	**105,894**	—	—
At 31 December		**2,000,000**	**106,000**	100	106
Issued and fully paid:					
— Ordinary shares of HK$0.05 (equivalent to approximately RMB0.053)					
Issue of shares upon incorporation	(b) and (e)	**100**	**106**	100	—
Subdivision of shares into HK$0.05 each	(c)	**1,900**	**—**	—	—
Issue of shares arising from the Reorganization	(e)	**156**	**8**	—	—
Issue of shares on initial public offering	(f)	**200,000**	**10,600**	—	—
Capitalisation issue of shares	(g)	**597,844**	**31,686**	—	—
At 31 December		**800,000**	**42,400**	100	—

Notes:

(a) The capital of the Group as at 1 January 2001 and 2002 represented the registered capital of Fuqing Longyu Food Development Co., Ltd. and the issued share capital of First China Technology Limited respectively at that dates.

(b) The Company was incorporated on 27 July 2001 with an authorized share capital of HK$100,000 (equivalent to approximately RMB106,000) divided into 100,000 ordinary shares of HK$1.00 each. All these 100,000 ordinary shares of HK$1.00 each, nil paid, were allotted and issued.

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25. SHARE CAPITAL (continued)

Notes: (continued)

(c) On 17 January 2002, by means of a sub-division of share capital, the par value of the ordinary shares of the Company was reduced from HK$1.00 each to HK$0.05 each, and every issued and unissued ordinary share of HK$1.00 was subdivided into 20 ordinary shares ("Subdivision"). Immediately after the Subdivision, the authorized share capital of the Company became HK$100,000 (equivalent to approximately RMB106,000) comprising 2,000,000 ordinary shares of HK$0.05 each of which all ordinary shares were in issue.

(d) On 17 January 2002, the authorized share capital of the Company was increased from HK$100,000 (equivalent to approximately RMB106,000) to HK$100,000,000 (equivalent to approximately RMB106,000,000) by the creation of an additional 1,998,000,000 ordinary shares of HK$0.05 each ranking pari passu with the then existing ordinary shares of the Company in all respects.

(e) On 17 January 2002, the Company acquired the entire issued share capital of First China Technology Limited ("First China") in consideration for (i) the transfer of 2,000,000 nil paid ordinary shares of HK$0.05 each in the Company held by the shareholders of the Company and (ii) the issue and allotment of 156,000 ordinary shares, to the shareholders of First China. The Company became the holding company of the Group with effect from 17 January 2002.

(f) Pursuant to the listing of the shares of the Company on 11 February 2002, 200,000,000 ordinary shares of the Company were issued by way of the public offer.

(g) On 11 February 2002, share premium of HK$29,892,200 (equivalent to approximately RMB31,686,000) was capitalized for the issuance of 597,844,000 ordinary shares on a pro-rata basis to the Company's shareholders on the register of members of the Company at the close of business on 17 January 2002.

All shares authorized or issued since incorporation rank pari passu with each other in all respects.

26. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 17 January 2002 for the primary purpose of providing incentives to directors and eligible persons, and will expire on 16 January 2012. Under the Scheme, the Company may grant options to any person who is a director or employee (whether full-time or part-time) of the Group or any other groups or classes of suppliers, customers, sub-contractors or agents of the Group or any other persons from time to time determined by the Board as having contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme must not exceed 10% of the shares of the Company in issue at the date of listing of the Company. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible person in any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of the individual limit must be subject to shareholders' approval.

Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1.00 per option. Option may be exercised, which shall commence 1 year after the date on which that option is granted and shall expire on the earlier of the last day of (i) a 10-year period from the date of such grant and (ii) 10 years from 17 January 2002. The subscription price is determined by the Board in its absolute discretion which, in any event, shall not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant of that option, which must be a business day; (b) the average of the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of that option; and (c) the nominal value for the time being of each share of the Company.

No option was granted by the Company under the Scheme since its adoption.

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27. RESERVES

(a) The Group

	Share premium RMB'000	Merger reserve RMB'000	Statutory reserve fund RMB'000 (note (i))	Enterprise expansion reserve fund RMB'000 (note (ii))	Retained profits RMB'000	Total RMB'000
At 1 January 2001	—	—	—	—	80,867	80,867
Arising from the Reorganisation	—	41,527	—	—	—	41,527
Profit for the year	—	—	—	—	87,076	87,076
Transfer from retained profits to other reserves	—	—	10,081	10,081	(20,162)	—
Dividend	—	—	—	—	(75,610)	(75,610)
At 31 December 2001 and 1 January 2002	—	41,527	10,081	10,081	72,171	133,860
Arising from the Reorganisation	—	(106)	—	—	—	(106)
Premium on issue of shares on initial public offering (note 25(f))	144,160	—	—	—	—	144,160
Capitalization issue of shares (note 25(g))	(31,686)	—	—	—	—	(31,686)
Shares issuance expenses	(16,418)	—	—	—	—	(16,418)
Profit for the year	—	—	—	—	108,698	108,698
Transfer from retained profits to other reserves	—	—	10,686	—	(10,686)	—
At 31 December 2002	96,056	41,421	20,767	10,081	170,183	338,508

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27. RESERVES (continued)

(a) The Group (continued)

Notes:

(i) According to the relevant rules and regulations in the PRC, Fuqing Longyu Food Development Co., Ltd., a wholly owned subsidiary, is required to transfer approximate 10% of after-tax profit (after offsetting prior year losses), based on its PRC statutory financial statements prepared in accordance with the relevant accounting principles and financial regulations applicable to foreign investment enterprises in the PRC, to a statutory reserve fund until the balance of the fund reaches 50% of its registered capital. Thereafter, any further transfer can be made at directors' discretion. The statutory reserve fund can be utilized to offset prior years' losses, or be converted into paid-up capital on the condition that the statutory reserve fund should be maintained at a minimum of 25% of the registered capital of this subsidiary after conversion.

During the year ended 31 December 2001, the directors of the subsidiary decided to transfer 10% of the profits after taxation, which are based on its PRC statutory financial statements for the three years ended 31 December 1998, 1999 and 2000, to the statutory reserve fund.

During the year ended 31 December 2002, the directors of the subsidiary resolved to appropriate it after tax profit to the statutory reserve fund amounting to approximately RMB10,686,000. Thereafter, the statutory reserve fund reached 50% of its registered capital in 2002.

(ii) According to the relevant rules and regulations in the PRC, Fuqing Longyu Food Development Co., Ltd., a wholly owned subsidiary, may also appropriate a portion of its after-tax profit (after offsetting prior years' losses), based on its PRC statutory financial statements prepared in accordance with the relevant accounting principles and financial regulations applicable to foreign investment enterprises in the PRC, to an enterprise expansion reserve fund at the discretion of its board of directors. The enterprise expansion reserve fund can be used to convert into paid-up capital.

During the year ended 31 December 2001, the directors of the subsidiary decided to transfer 10% of the profits after taxation, which are based on its PRC statutory financial statements for the three years ended 31 December 1998, 1999 and 2000, to the enterprise expansion reserve fund.

During the year ended 31 December 2002, no such appropriations have been made.

(b) The Company

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
Loss for the period ended 31 December 2001 and at 1 January 2002	—	(43)	(43)
Premium arising from the public offer and placing of shares (note 25(f))	144,160	—	144,160
Captialisation issue of share (note 25(g))	(31,686)	—	(31,686)
Share issuance expenses	(16,418)	—	(16,418)
Loss for the year	—	(7,509)	(7,509)
At 31 December 2002	96,056	(7,552)	88,504

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28. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2002 not provided for in the financial statements were as follows:

	The Group	
	2002	2001
	RMB'000	RMB'000
Contracted for:		
— Acquisition of fixed assets	**2,240**	—
— Research and development project	**600**	—
	2,840	—

(b) At 31 December 2002, the total future minimum lease payments under non-cancellable operating leases in respect of rented premises are payable as follows:

	The Group		The Company	
	2002	2001	**2002**	2001
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**1,130**	830	**1,030**	—
After 1 year but within 5 years	**24,207**	473	**—**	—
After 5 years	**84,000**	—	**—**	—
	109,337	1,303	**1,030**	—

29. CONTINGENT LIABILITIES

At 31 December 2002, there were contingent liabilities in respect of the following:

— Bank loan facilities utilised by a third party and guaranteed by a wholly owned subsidiary amounting to RMB5,000,000 (2001: Nil).

— Bank loan facilities utilised by a wholly owned subsidiary and guaranteed by the Company amounting to RMB41,500,000 (2001: RMB41,500,000).

— Bank loan facilities of RMB10,600,000 obtained and not utilised by the Company and guaranteed by a wholly owned subsidiary (2001: Nil).

30. MATERIAL RELATED PARTY TRANSACTIONS

In December 2001, the Group advanced a loan of RMB40,000,000 to Fuqing City Shangjing Longsheng Experimental Breeding Farm, a company beneficially owned by Mr. Yeung Chung Lung, a director of the Company. The loan was unsecured, non-interest bearing and settled in January 2002.

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31. POST BALANCE SHEET EVENTS

(a) Subsequent to the balance sheet date, the Company entered into three private placement subscription agreements on 28 March 2003 in respect of the placement of 2.5% coupon bonds due on 9 April 2008 with warrants attached, having an aggregate principal amount of US$4,500,000 (equivalent to approximately RMB37,000,000). Bondholders can exercise the subscription rights attaching to the warrants, in whole or in part, at any time commencing from 10 April 2003 to 9 April 2008 (both days inclusive) to subscribe for new shares of the Company at an initial subscription price of HK$0.80 (equivalent to approximately RMB0.848) per share, subject to adjustment. The net proceeds of approximately RMB35,000,000 were used to finance the working capital needs of (i) the lease of new aqua-culture farmland for the supply of raw materials; and (ii) the expansion and modification of the Group's existing processing food platform facilities.

(b) After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 11.

32. COMPARATIVE FIGURES

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirements of SSAP 15 (revised 2001) "Cash flow statements". As a result, certain advances from banks have been excluded from the definition of cash equivalents, cash flow items from taxation, returns on investments and servicing of finance have been classified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities has been included on the face of the consolidated cash flow statement. Comparative figures have been reclassified to conform with the current year's presentation.