(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Society of Accountants ("HKSA"), accounting principles generally accepted in Hong Kong and the 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 modified by revaluation of investment properties and the marking to market of certain investments in securities as explained in the accounting policies set out below.

(c) Subsidiaries and controlled enterprises

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half 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 controlled 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 profit and loss account 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.

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and controlled enterprises (Continued)

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from liabilities and the shareholders' equity. Minority interests in the results of the Group for the year are also separately presented in the profit and loss account.

Where losses attributable to the minority exceed the minority interest in the net assets of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the Group until the minority's share of losses previously absorbed by the Group has been recovered.

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 profit and loss account as they arise.

(d) Associates

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

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 profit and loss account as they arise. The consolidated profit and loss account 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(e).

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates (Continued)

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 profit and loss account.

In the Company's balance sheet, its investments in associates are stated at cost less 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 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 profit and loss account as they arise.

(e) Negative goodwill

Negative goodwill arising on acquisitions of controlled 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. Negative goodwill is accounted for as follows:

— for acquisitions before 1 January 2001, negative goodwill is credited to a capital reserve; and

— for acquisitions on or after 1 January 2001, 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 profit and loss account 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 profit and loss account over the remaining 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 profit and loss account.

In respect of any negative goodwill arising on or after 1 January 2001 and not yet recognised in the consolidated profit and loss account:

— for controlled 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

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

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Negative goodwill (Continued)

On disposal of a controlled subsidiary or an associate during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

(f) Investments in securities

The Group's and the Company's policies for investments in securities other than investments in subsidiaries and associates are as follows:

(i) Investments held on a continuing basis for an identified long-term purpose are classified as investment securities. Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.

(ii) Provisions against the carrying value of investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iii) All other securities (whether held for trading or otherwise) are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.

(iv) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

(g) Fixed assets

(i) Investment properties with an unexpired lease term of more than 20 years are stated in the balance sheets at their open market value which is either assessed annually by external qualified valuers, or assessed by Directors taking into consideration of professional valuation.

(Expressed in Hong Kong dollars)

1. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(g) Fixed assets (Continued)

(ii) Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:

— when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties immediately prior to the revaluation; and

— when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties had previously been charged to the profit and loss account.

(iii) Land and buildings held for own use are carried in the balance sheets at cost less accumulated depreciation and impairment losses (see note 1(j)).

(iv) Other fixed assets are carried in the balance sheets at cost less accumulated depreciation and impairment losses (see note 1(j)).

(v) 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.

(vi) 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 profit and loss account on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the profit and loss account for the year. For all other fixed assets, any related revaluation surplus is transferred from the revaluation reserve to retained profits.

(h) Leased assets

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

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets (Continued)

(i) *Assets held for use in operating leases*

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(j). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(p).

(ii) *Operating lease charges*

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account 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 profit and loss account as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the profit and loss account in the accounting period in which they are incurred.

(i) Depreciation

(i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years or on freehold land.

(ii) Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives from the date on which they are put into use and after taking into account their estimated residual value, using the straight-line method, as follows:

Leasehold land	Over the unexpired term of the lease
Buildings	Over the shorter of the unexpired term of the lease and 20 to 50 years
Leasehold improvements	20% to 50% per annum
Plant and machinery, furniture, fixtures and equipment	10% to 20% per annum
Motor vehicles	20% per annum

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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:

— property, plant and equipment (other than properties carried at revalued amounts); and

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

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised 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 favourable 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 recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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) 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.

(m) 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 Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit and loss account as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employee benefits (Continued)

(iii) When the Group grants employees options to acquire shares of the Company at nominal consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the 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.

(n) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company 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 an 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 also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) 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 profit and loss account as follows:

(i) *Sale of goods*

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) *Dividends*

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iii) *Interest income*

Interest income from bank deposits and advances to associates is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Revenue recognition (Continued)

(iv) *Rental income from operating leases*

Rental income receivable under operating leases is recognised in the profit and loss account 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 granted are recognised in the profit and loss account as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(q) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

The results of subsidiaries and associates outside Hong Kong are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a subsidiary or an associate outside Hong Kong, the cumulative amount of the exchange differences which relate to that subsidiary or associate is included in the calculation of the profit or loss on disposal.

(r) 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.

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

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. 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, taxation, corporate and financing expenses and minority interests.

(Expressed in Hong Kong dollars)

2. TURNOVER

The principal activities of the Group are distribution of live and fresh foodstuffs, feed production and livestock farming, foodstuffs trading, manufacturing and trading of tinplate and property leasing.

Turnover represents the sales value of goods and rental income from investment properties received under operating leases, after eliminating intra-group transactions. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2003	2002
	$'000	*$'000*
Sales of goods		
— Tinplating	**538,765**	565,906
— Live and fresh foodstuffs distribution	**751,901**	977,642
— Feed production and livestock farming	**145,892**	141,474
— Foodstuffs trading	**52,190**	69,626
	1,488,748	1,754,648
Property leasing	**37,059**	28,372
	1,525,807	1,783,020

3. OTHER REVENUE

	2003	2002
	$'000	*$'000*
Interest income	**4,526**	4,785
Write-back of provision for bad debts	**577**	2,467
Management income	**437**	1,630
Dividends from listed securities	**260**	659
Rental income	**225**	521
Subsidy received	**—**	5,712
Dividends from unlisted securities	**—**	124
Others	**5,677**	6,175
	11,702	22,073

(Expressed in Hong Kong dollars)

4. OTHER NET EXPENSES

	2003	2002
	$'000	*$'000*
Net loss on disposal of fixed assets	**(1,069)**	(1,378)
Net loss on disposal of investment securities	**(236)**	—
Net realised and unrealised gains on other securities carried at fair value	**562**	150
Net exchange gain	**269**	199
Others	**260**	427
	(214)	(602)

5. NON-OPERATING INCOME

		2003	2002
	Note	**$'000**	*$'000*
Write-back of long outstanding payables	*(i)*	**33,185**	9,891
Recovery of bad debts	*(ii)*	**24,239**	26,098
Net gain on disposal of a subsidiary		**9,097**	—
		66,521	35,989

Notes:

(i) The amounts mainly represent the write-back of long outstanding payables. The Directors are of the opinion that it is not likely that the creditors will lodge claims against the Group.

(ii) The amounts mainly represent the recovery of bad debts previously provided for or written off to the profit and loss account as the recoverability was in doubt. During the year, certain bad debts were recovered and the related provisions were written back to the profit and loss account accordingly.

6. NON-OPERATING EXPENSES

	2003	2002
	$'000	*$'000*
Provision for impairment losses on fixed assets	**30,862**	18,812

In view of the poor trading conditions experienced by certain subsidiaries, the Directors have reviewed the carrying value of the relevant subsidiaries' fixed assets and concluded that it is appropriate to recognise impairment losses of $30,862,000 (2002: $18,812,000) against certain fixed assets as at 31 December 2003.

(Expressed in Hong Kong dollars)

7. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	2003	2002
	$'000	*$'000*
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within 5 years	**4,221**	4,200
Interest on convertible notes	**3,443**	6,345
Interest incurred in settling a claim	**—**	1,500
	7,664	12,045
(b) Staff costs:		
Net contributions paid to defined contribution plans	**574**	533
Salaries, wages and other benefits	**42,402**	51,766
	42,976	52,299
(c) Other items:		
Cost of inventories sold	**1,373,795**	1,571,001
Auditors' remuneration	**1,940**	2,297
Depreciation	**9,050**	12,362
Operating lease charges in respect of property rentals	**1,026**	1,125
Amortisation of negative goodwill (note 20)	**(1,447)**	(1,557)
Rentals receivable from investment properties less direct outgoings of $3,551,000 (2002: $3,591,000)	**(32,626)**	(21,488)

Cost of inventories includes $18,544,000 (2002: $21,470,000) 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. The provision against inventories of $282,000 (2002: $6,920,000) has been included in cost of inventories.

(Expressed in Hong Kong dollars)

8. INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(a) Taxation in the consolidated profit and loss account represents:

	2003	2002
	$'000	*$'000*
Current tax — Provision for Hong Kong Profits Tax		
Provision for Hong Kong Profits Tax at 17.5% (2002: 16%) on the estimated assessable profits for the year	**258**	—
Over-provision in respect of prior years	**(2,613)**	(355)
	(2,355)	(355)
Current tax — the PRC		
Tax for the year	**7,947**	10,755
Under-provision in respect of prior years	**2,482**	—
	10,429	10,755
Deferred tax		
Origination and reversal of temporary differences	**6,997**	(807)
Effect of increase in tax rate in the PRC on deferred tax balances at 1 January	**(4,147)**	—
Benefit of previously unrecognised tax losses now recognised	**4,907**	—
	7,757	(807)
Share of associates' taxation	**(2,898)**	154
Total income tax expense	**12,933**	9,747

(Expressed in Hong Kong dollars)

8. INCOME TAX IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT (Continued)

(a) Taxation in the consolidated profit and loss account represents: (Continued)

Income tax for subsidiaries or associates established and operating in the People's Republic of China other than Hong Kong (the "PRC") is calculated based on the applicable rates of income tax ruling in the relevant provinces or economic zones in the PRC. The effect of increase in tax rate on the deferred tax balance relates to the anticipated change in the tax rate applicable to certain PRC subsidiaries of the Group according to the expected manner of realisation of the respective temporary differences.

In March 2003, the Hong Kong Government announced an increase in the Profits Tax rate applicable to the Group's operations in Hong Kong from 16% to 17.5%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2003	2002
	$'000	*$'000*
Profit before tax	**120,320**	126,939
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	**15,396**	14,054
Tax effect of non-deductible expenses	**29,559**	28,574
Tax effect of non-taxable revenue	**(26,038)**	(29,516)
Tax effect of unused tax losses not recognised	**(1,706)**	(3,010)
Effect on opening deferred tax balances resulting from an increase in tax rate in the PRC during the year	**(4,147)**	—
Over-provision in prior years	**(131)**	(355)
Actual tax expense	**12,933**	9,747

(Expressed in Hong Kong dollars)

9. DIRECTORS' REMUNERATION

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

	2003	2002
	$'000	*$'000*
Fees	**24**	24
Salaries and other emoluments	**3,304**	3,218
Discretionary bonuses	**1,068**	815
Retirement scheme contributions	**536**	455
	4,932	4,512

Included in the Directors' remuneration were fees and other emoluments of $9,000 and $900,000 (2002: $9,000 and $900,000) respectively paid to the Independent Non-executive Directors during the year.

The remuneration of the Directors is within the following band:

	2003	2002
	Number of Directors	Number of Directors
$		
Nil–1,000,000	**6**	12
1,000,001–1,500,000	**2**	1
1,500,001–2,000,000	**1**	—
	9	13

(Expressed in Hong Kong dollars)

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the year included three Directors of the Company (2002: three), details of whose remuneration are set out in note 9 above. The remuneration of the other two (2002: two) individuals are as follows:

	2003	2002
	$'000	*$'000*
Salaries and other emoluments	**1,126**	1,015
Discretionary bonuses	**1,507**	316
Retirement scheme contributions	**328**	157
	2,961	1,488

The remuneration of the two (2002: two) individuals are within the band of $1,000,001 to $1,500,000 and $1,500,001 to $2,000,000 respectively.

11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders includes a profit of $73,405,000 (2002: $60,799,000) which has been dealt with in the financial statements of the Company.

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 $102,762,000 (2002: $115,509,000) and the weighted average of 9,003,262,000 (2002: 8,996,826,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the adjusted profit attributable to ordinary shareholders of $106,205,000 (2002: $121,854,000) and the weighted average number of 9,496,412,000 (2002: 9,908,402,000) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares for the year ended 31 December 2003.

(Expressed in Hong Kong dollars)

12. EARNINGS PER SHARE (Continued)

(c) Reconciliation

	2003 Number of shares *(thousand)*	2002 Number of shares *(thousand)*
Weighted average number of ordinary shares used in calculating basic earnings per share	**9,003,262**	8,996,826
Deemed issue of ordinary shares for no consideration	**493,150**	911,576
Weighted average number of ordinary shares used in calculating diluted earnings per share	**9,496,412**	9,908,402

	2003 Earnings *$'000*	2002 Earnings *$'000*
Profit attributable to shareholders	**102,762**	115,509
Interest saving following conversion of the convertible notes converted	**3,443**	6,345
Adjusted profit attributable to shareholders used in calculating diluted earnings per share	**106,205**	121,854

13. CHANGES IN ACCOUNTING POLICIES

In prior years, deferred tax liabilities were 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 were expected with reasonably probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1 January 2003, in order to comply with Statement of Standard Accounting Practice 12 (revised) issued by the HKSA, the Group adopted a new policy for deferred tax as set out in note 1(n). As a result of the adoption of this accounting policy, the Group's profit for the year has been decreased by $7,492,000 and the net assets as at the year end have been decreased by $11,030,000.

The new accounting policy has been adopted prospectively as the effect of this change in accounting policy is not material and, therefore, the opening balances have not been restated.

(Expressed in Hong Kong dollars)

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's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Tinplating	:	Production and sales of tinplate and related products which are used as packaging materials for the food processing manufacturers
Live and fresh foodstuffs distribution	:	Distribution of live and fresh foodstuffs
Feed production and livestock farming	:	Production and trading of feeds, pig rearing and distribution
Foodstuffs trading	:	Purchase and sale of foodstuffs
Property leasing	:	Leasing of properties to generate rental income

(Expressed in Hong Kong dollars)

14. SEGMENT REPORTING (Continued)

Business segments (Continued)

	For the year ended 31 December 2003							
	Tinplating	Live and fresh foodstuffs distribution	Feed production and livestock farming	Foodstuffs trading	Property leasing	Inter-segment elimination	Unallocated	Consolidated
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Revenue from external customers	538,765	751,901	145,892	52,190	37,059	—	—	1,525,807
Inter-segment revenue	1,098	—	—	—	—	(1,098)	—	—
Other revenue from external customers	—	—	—	—	—	—	6,916	6,916
Total	539,863	751,901	145,892	52,190	37,059	(1,098)	6,916	1,532,723
Segment result	57,153	11,100	(12,122)	646	26,491			83,268
Unallocated operating income and expenses								(10,319)
Profit from operations								72,949
Share of profits less losses of associates	—	(113)	—	—	—		19,489	19,376
Non-operating income								66,521
Non-operating expenses								(30,862)
Finance costs								(7,664)
Income tax								(12,933)
Minority interests								(4,625)
Profit attributable to shareholders								102,762
Depreciation for the year	5,130	73	2,787	56	601			
Impairment loss for the year	—	—	30,862	—	—			

(Expressed in Hong Kong dollars)

14. SEGMENT REPORTING (Continued)

Business segments (Continued)

	For the year ended 31 December 2002							
	Tinplating	Live and fresh foodstuffs distribution	Feed production and livestock farming	Foodstuffs trading	Property leasing	Inter-segment elimination	Unallocated	Consolidated
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Revenue from external customers	565,906	977,642	141,474	69,626	28,372	—	—	1,783,020
Inter-segment revenue	910	—	—	—	—	(910)	—	—
Other revenue from external customers	—	—	—	—	—	—	16,505	16,505
Total	566,816	977,642	141,474	69,626	28,372	(910)	16,505	1,799,525
Segment result	90,537	14,433	(5,314)	1,190	19,202			120,048
Unallocated operating income and expenses								(8,817)
Profit from operations								111,231
Share of profits less losses of associates	—	(134)	—	107	—		10,603	10,576
Non-operating income								35,989
Non-operating expenses								(18,812)
Finance costs								(12,045)
Income tax								(9,747)
Minority interests								(1,683)
Profit attributable to shareholders								115,509
Depreciation for the year	5,897	158	4,513	4	577			
Impairment loss for the year	—	—	16,466	—	—			

(Expressed in Hong Kong dollars)

14. SEGMENT REPORTING (Continued)

Business segments (Continued)

	2003						
	Tinplating $'000	Live and fresh foodstuffs distribution $'000	Feed production and livestock farming $'000	Foodstuffs trading $'000	Property leasing $'000	Inter-segment elimination $'000	Consolidated $'000
Segment assets	482,358	56,271	36,888	13,190	225,985	(55,443)	759,249
Interest in associates	—	403	—	—	—		403
Unallocated assets							196,323
Total assets							955,975
Segment liabilities	137,144	50,793	14,283	11,023	61,392	(55,443)	219,192
Interest-bearing borrowings							57,700
Unallocated liabilities							56,450
Total liabilities							333,342
Capital expenditure incurred during the year	2,819	—	77	66	522		

(Expressed in Hong Kong dollars)

14. SEGMENT REPORTING (Continued)

Business segments (Continued)

	2002						
	Tinplating	Live and fresh foodstuffs distribution	Feed production and livestock farming	Foodstuffs trading	Property leasing	Inter-segment elimination	Consolidated
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Segment assets	456,199	38,078	94,509	13,699	207,763	(43,883)	766,365
Interest in associates	—	516	—	—	—		516
Unallocated assets							196,172
Total assets							963,053
Segment liabilities	151,265	41,755	21,594	10,076	49,235	(43,883)	230,042
Interest-bearing borrowings							59,012
Convertible notes							80,000
Unallocated liabilities							79,012
Total liabilities							448,066
Capital expenditure incurred during the year	2,041	69	604	88	9,241		

(Expressed in Hong Kong dollars)

14. SEGMENT REPORTING (Continued)

Geographical segments

The Group's business participates in two principal economic environments. Hong Kong is the major market for live and fresh foodstuffs distribution, whereas the PRC is a major market for most of the Group's other business.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	2003		
	The PRC	**Hong Kong**	**Others**
	$'000	***$'000***	***$'000***
Revenue from external customers	**719,699**	**798,781**	**7,327**
Segment assets	**666,585**	**148,107**	**—**
Capital expenditure	**3,418**	**66**	**—**

	2002		
	The PRC	Hong Kong	Others
	$'000	*$'000*	*$'000*
Revenue from external customers	734,553	1,027,324	21,143
Segment assets	703,395	106,853	—
Capital expenditure	11,886	157	—

(Expressed in Hong Kong dollars)

15. FIXED ASSETS

(a) The Group

	Land and buildings held for own use	Leasehold improvements	Plant and machinery, furniture, fixtures and equipment	Motor vehicles	Sub-total	Investment properties	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost or valuation:							
At 1 January 2003	208,806	3,830	146,612	4,993	364,241	178,048	542,289
Exchange adjustments	(580)	—	(1,239)	(26)	(1,845)	(560)	(2,405)
Additions	—	—	1,848	462	2,310	1,390	3,700
Disposals							
— through disposal of a subsidiary	(25,967)	—	(9,090)	(547)	(35,604)	—	(35,604)
— others	(66)	(1,916)	(5,303)	(1,397)	(8,682)	—	(8,682)
Surplus on revaluation	—	—	—	—	—	7,110	7,110
At 31 December 2003	**182,193**	**1,914**	**132,828**	**3,485**	**320,420**	**185,988**	**506,408**
Representing:							
Cost	182,193	1,914	132,828	3,485	320,420	—	320,420
Valuation — 2003	—	—	—	—	—	185,988	185,988
	182,193	1,914	132,828	3,485	320,420	185,988	506,408
Accumulated depreciation and impairment:							
At 1 January 2003	61,372	3,500	79,205	3,502	147,579	—	147,579
Exchange adjustments	(319)	—	(1,059)	(24)	(1,402)	—	(1,402)
Charge for the year	3,141	156	5,554	199	9,050	—	9,050
Impairment loss	27,892	—	2,970	—	30,862	—	30,862
Written back on disposal	(39)	(1,812)	(4,565)	(1,072)	(7,488)	—	(7,488)
Through disposal of a subsidiary	(25,967)	—	(9,090)	(547)	(35,604)	—	(35,604)
At 31 December 2003	**66,080**	**1,844**	**73,015**	**2,058**	**142,997**	**—**	**142,997**
Net book value:							
At 31 December 2003	**116,113**	**70**	**59,813**	**1,427**	**177,423**	**185,988**	**363,411**
At 31 December 2002	147,434	330	67,407	1,491	216,662	178,048	394,710

(Expressed in Hong Kong dollars)

15. FIXED ASSETS (Continued)

(b) The Company

	Leasehold improvements	Plant and machinery, furniture, fixtures and equipment	Motor vehicles	Sub-total	Investment properties	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost or valuation:						
At 1 January 2003	3,297	2,442	1,869	7,608	49,900	57,508
Additions	—	214	—	214	—	214
Disposals	(1,916)	(44)	—	(1,960)	—	(1,960)
Surplus on revaluation	—	—	—	—	12,100	12,100
At 31 December 2003	**1,381**	**2,612**	**1,869**	**5,862**	**62,000**	**67,862**
Representing:						
Cost	1,381	2,612	1,869	5,862	—	5,862
Valuation — 2003	—	—	—	—	62,000	62,000
	1,381	2,612	1,869	5,862	62,000	67,862
Accumulated depreciation:						
At 1 January 2003	2,967	1,138	1,869	5,974	—	5,974
Charge for the year	156	247	—	403	—	403
Written back on disposal	(1,812)	(21)	—	(1,833)	—	(1,833)
At 31 December 2003	**1,311**	**1,364**	**1,869**	**4,544**	**—**	**4,544**
Net book value:						
At 31 December 2003	**70**	**1,248**	**—**	**1,318**	**62,000**	**63,318**
At 31 December 2002	330	1,304	—	1,634	49,900	51,534

(Expressed in Hong Kong dollars)

15. FIXED ASSETS (Continued)

(c) An analysis of the net book value of properties is as follows:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
In Hong Kong on long-term leases	**62,000**	49,900	**62,000**	49,900
Elsewhere in the PRC on medium-term leases	**240,101**	275,582	**—**	—
	302,101	325,482	**62,000**	49,900

(d) Investment properties of the Group and the Company situated in Hong Kong totalling $62,000,000 (2002: $49,900,000) were revalued by Centaline Surveyors Limited, who have among their Members of Hong Kong Institute of Surveyors, on an open market value basis at 31 December 2003. Investment properties of the Group situated in the PRC totalling $123,988,000 (2002: $128,148,000) were revalued by an independent firm of surveyors in the PRC, 廣州中天衡房地產評估有限公司 — 中國註冊房地產估價師, on an open market value basis at 31 December 2003.

On the Group level, the net revaluation surplus after minority interest and deferred tax of $3,998,000 (2002: $16,339,000) has been transferred to the investment property revaluation reserve (see note 29(a)). On the Company level, the revaluation surplus of $12,100,000 (2002: revaluation deficit of $263,000 was set off against the investment properties revaluation reserve) has been transferred to the investment properties revaluation reserve (see note 29(b)).

(e) The Group leases out investment properties, a pig farm and a number of items of machinery under operating leases. The leases run for an initial period of one to twenty eight years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The gross carrying amounts of investment properties of the Group and the Company held for use in operating leases were $185,988,000 (2002: $178,048,000) and $62,000,000 (2002: $49,900,000) respectively. The gross carrying amount of machinery of the Group held for use in operating leases was $9,110,000 (2002: $26,481,000) and the related accumulated depreciation was $7,698,000 (2002: $21,607,000).

(Expressed in Hong Kong dollars)

15. FIXED ASSETS (Continued)

Total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Within 1 year	**18,450**	21,732	**1,728**	1,969
After 1 year but within 5 years	**59,126**	61,171	**1,323**	3,051
After 5 years	**78,001**	37,716	**—**	—
	155,577	120,619	**3,051**	5,020

(f) Certain of the Group's fixed assets with net book value of $2,814,000 (2002: $Nil) were pledged to secure general banking facilities totalling $9,004,000 (2002: $Nil) of the Group as at 31 December 2003.

16. INTEREST IN SUBSIDIARIES

	The Company	
	2003	2002
	$'000	*$'000*
Unlisted shares, at cost	**249,878**	281,610
Amounts due from subsidiaries	**656,105**	649,541
	905,983	931,151
Less: impairment loss	**(592,463)**	(617,047)
	313,520	314,104

Details of the subsidiaries, which are incorporated in Hong Kong unless otherwise stated, are set out in note 36. All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the Group's financial statements. Details of companies under liquidation which have not been consolidated in the financial statements are set out in note 37.

(Expressed in Hong Kong dollars)

17. INTEREST IN ASSOCIATES

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Unlisted shares, at cost	**—**	—	**245,530**	245,530
Share of net assets	**145,196**	124,837	**—**	—
Amounts due from associates	**9,782**	26,427	**9,782**	26,419
	154,978	151,264	**255,312**	271,949
Less: impairment loss	**—**	—	**(122,568)**	(122,568)
	154,978	151,264	**132,744**	149,381

The amounts due from associates included a loan to Yellow Dragon Food Industry Company Limited of $9,782,000 (2002: $25,507,000), details of which are disclosed in note 33(c).

Details of the associates, which are incorporated in Hong Kong unless otherwise stated, are set out in note 38.

18. INVESTMENTS IN SECURITIES

(a) Investment securities

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	$'000
Unlisted equity securities, at cost	**540**	1,079	**540**	1,000

(b) Other securities

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Equity securities listed in Hong Kong, at market value	**3,247**	2,813	**3,247**	2,813

(Expressed in Hong Kong dollars)

19. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group	
	2003	2002
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**258**	—
Balance of Profits Tax provision relating to prior years	**(1,584)**	1,029
	(1,326)	1,029
Taxation outside Hong Kong	**5,197**	7,115
Amount of taxation payable expected to be settled within 1 year	**3,871**	8,144
Representing:		
Tax recoverable	**(1,326)**	—
Tax payable	**5,197**	8,144
	3,871	8,144

(Expressed in Hong Kong dollars)

19. INCOME TAX IN THE BALANCE SHEET (Continued)

(b) Deferred tax assets and liabilities recognised:

The Group

	Depreciation allowances in excess of related depreciation	**Revaluation of investment properties**	**Provisions**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
Deferred tax arising from:				
At 1 January 2002	—	—	(4,957)	(4,957)
Credited to consolidated profit and loss account	—	—	(807)	(807)
At 31 December 2002	—	—	(5,764)	(5,764)
At 1 January 2003	—	—	(5,764)	(5,764)
Exchange differences	—	—	26	26
Charged to consolidated profit and loss account	7,492	—	265	7,757
Charged to reserve	—	3,538	—	3,538
At 31 December 2003	7,492	3,538	(5,473)	5,557

	2003	2002
	$'000	*$'000*
Net deferred tax asset recognised on the consolidated balance sheet	**(3,778)**	(5,764)
Net deferred tax liability recognised on the consolidated balance sheet	**9,335**	—
	5,557	(5,764)

(Expressed in Hong Kong dollars)

19. INCOME TAX IN THE BALANCE SHEET (Continued)

(c) Deferred tax assets unrecognised:

Deferred tax assets have not been recognised in respect of the following items:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Deductible temporary differences	**100,712**	—	**—**	—
Tax losses	**2,512,713**	2,497,894	**2,407,328**	2,390,150
	2,613,425	2,497,894	**2,407,328**	2,390,150

The deductible temporary differences and tax losses do not expire under current tax legislation, except for an amount of $12,428,000, being an amount of unrecognised tax loss, which will expire in the coming 5 years.

20. NEGATIVE GOODWILL

	The Group
	$'000
Carrying value:	
At 1 January 2003	18,693
Amortisation for the year (note 7(c))	(1,447)
At 31 December 2003	17,246

Negative goodwill is recognised as income on a straight-line basis over 14 years. The amortisation of negative goodwill for the year is included in "Other operating expenses" in the consolidated profit and loss account.

(Expressed in Hong Kong dollars)

21. INVENTORIES

	The Group	
	2003	2002
	$'000	*$'000*
Raw materials	**32,752**	39,746
Finished goods	**11,376**	26,566
Spare parts and consumables	**100**	371
	44,228	66,683

No inventories included in finished goods are stated net of a provision (2002: $6,235,000) made in order to state these inventories at the lower of their cost and estimated net realisable value.

22. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Trade debtors	**41,058**	39,736	**—**	—
Bills receivable	**83,409**	61,610	**—**	—
Other receivables, deposits and prepayments	**18,749**	13,798	**1,859**	2,635
Amounts due from minority shareholders less provision	**—**	909	**—**	—
Amounts due from fellow subsidiaries	**5,333**	347	**4,670**	163
Amounts due from related companies less provision	**33**	23	**—**	—
	148,582	116,423	**6,529**	2,798

Included in the trade and other receivables are balances of $101,000 (2002: $639,000) expected to be recovered after one year.

(Expressed in Hong Kong dollars)

22. TRADE AND OTHER RECEIVABLES (Continued)

Included in trade and other receivables are trade debtors and bills receivable (net of provision for bad and doubtful debts), based on the invoice date, with the following ageing analysis:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Within 1 month	**116,852**	40,931	**—**	—
1 to 3 months	**6,294**	37,712	**—**	—
More than 3 months but less than 12 months	**947**	22,599	**—**	—
More than 1 year but less than 2 years	**328**	104	**—**	—
More than 2 years	**46**	—	**—**	—
	124,467	101,346	**—**	—

The Group maintains a defined policy with credit periods ranging from advance payment to not more than 180 days.

Certain bills receivable of the Group totalling $40,000,000 as at 31 December 2003 were pledged with a bank in order to obtain a guarantee issued in favour of the Group to the Dongguan Intermediate People's Court in a litigation against a former minority shareholder of a subsidiary for amounts due to the Group for $40,000,000. Details are disclosed in note 32.

23. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Deposits with banks	**127,605**	173,338	**11,351**	23,005
Cash at bank and in hand	**126,852**	69,672	**8,242**	819
	254,457	243,010	**19,593**	23,824

(Expressed in Hong Kong dollars)

24. INTEREST-BEARING BORROWINGS

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Secured bank loans	**2,814**	—	**—**	—
Unsecured bank loans	**—**	3,898	**—**	—
Unsecured other loans	**54,886**	55,114	**—**	—
	57,700	59,012	**—**	—

At 31 December 2003, the Group's bank loans of $2,814,000 (2002: $3,898,000) were secured by certain of the Group's fixed assets with net book value of $2,814,000. Other loans are unsecured, repayable on demand and bear interest at a range of 6.5% to 7.5% (2002: 6.5% to 7.67%) per annum.

At 31 December 2003, the interest-bearing borrowings were repayable as follows:

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Within 1 year or on demand	**57,700**	59,012	**—**	—

25. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Trade creditors	**74,883**	61,172	**3,359**	3,359
Other payables and accrued charges	**129,422**	174,790	**17,904**	34,698
Amounts due to associates	**2,405**	1,702	**—**	—
Amounts due to minority shareholders	**7,204**	3,993	**—**	—
Amounts due to holding companies and fellow subsidiaries	**46,608**	46,676	**108**	201
Amounts due to related companies	**1,914**	391	**297**	464
	262,436	288,724	**21,668**	38,722

(Expressed in Hong Kong dollars)

25. TRADE AND OTHER PAYABLES (Continued)

The amount of trade and other payables expected to be settled after more than one year is $1,022,000 (2002: $2,149,000).

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

	The Group		The Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Due within 1 month or on demand	**74,443**	61,092	**3,359**	3,359
Due after 1 month but within 3 months	**334**	—	**—**	—
Due after 3 months but within 12 months	**13**	10	**—**	—
Due after 1 year but within 2 years	**23**	—	**—**	—
Over 2 years	**70**	70	**—**	—
	74,883	61,172	**3,359**	3,359

26. CONVERTIBLE NOTES

On 3 December 2001, the Company issued convertible notes of $185,000,000 to Richway Resources Limited as part of the consideration for the acquisition of Zhongyue Industry Material Limited. The notes bear interest at a fixed rate of 4.5% per annum and are convertible into ordinary shares of the Company on any business day other than the period in which the register of members of the Company is closed or ten business days prior to the maturity date on 3 December 2006 at an initial conversion price of $0.155 per share, subject to adjustments in certain events.

In 2002, convertible notes totalling $105,000,000 were redeemed for cash at their nominal value. During the year, the Company redeemed the remaining convertible notes totalling $80,000,000 for cash at their nominal value.

(Expressed in Hong Kong dollars)

27. EQUITY COMPENSATION BENEFITS

On 21 November 1994, in order to align the interests of Directors and employees with those of the shareholders, the Company adopted a share option scheme ("1994 Share Option Scheme") pursuant to which the Directors are authorised, at their discretion, to invite Directors or employees of the Company and its subsidiaries to take up options to subscribe for shares of the Company. Offers of options under the 1994 Share Option Scheme may be accepted in writing within 21 days from the date of making such offer. Options granted under the 1994 Share Option Scheme is exercisable within a period commencing twelve months after the date of acceptance of options and expiring on the last day of a four year period from such acceptance date or 20 November 2004, whichever is earlier. The 1994 Share Option Scheme shall expire on 20 November 2004.

On 24 August 2001, for the purpose of having a new share option scheme with terms compatible with modern practice and providing greater flexibility to the Directors, the Company adopted a new share option scheme (the "2001 Share Options Scheme"). Pursuant to the 2001 Share Option Scheme, the Directors are authorised, at their discretion, to invite full-time employees of the Company and its subsidiaries, including Executive Directors but excluding Non-executive Directors to take up options to subscribe for shares of the Company. A grant of options under the 2001 Share Option Scheme may be accepted in writing and upon payment of a consideration of $10 in total by the grantee to the Company within 21 days from the date of grant. The options vest after 3 months from the date of grant and are exercisable within a period of five years. Each option gives the holder the right to subscribe for one share. The 2001 Share Option Scheme shall expire on 23 August 2011.

(a) Movements in share options

	2003 Number	2002 Number
At 1 January	**176,000,000**	302,200,000
Exercised	**(17,500,000)**	(55,000,000)
Lapsed	**(125,000,000)**	(71,200,000)
At 31 December	**33,500,000**	176,000,000
Options vested at 31 December	**33,500,000**	176,000,000

(Expressed in Hong Kong dollars)

27. EQUITY COMPENSATION BENEFITS (Continued)

(b) Terms of unexpired and unexercised share options at balance sheet date

Date of option granted	Period during which options exercisable	Exercise price per share	**2003 Number**	2002 Number
24/08/2001	26/11/2001 to 25/11/2006	$0.1495	**33,500,000**	176,000,000

(c) Details of share options exercised during the year

Exercise date	Exercise price	Market value per share at exercise date	Proceeds received	Number
16/09/2003	$0.1495	$0.165	$2,466,750	16,500,000
11/11/2003	$0.1495	$0.169	$149,500	1,000,000
				17,500,000

28. SHARE CAPITAL

	2003 Number of shares *(thousand)*	**2003** *$'000*	2002 Number of shares *(thousand)*	2002 *$'000*
Authorised:				
Ordinary shares of $0.1 each	**15,000,000**	**1,500,000**	15,000,000	1,500,000
Issued and fully paid:				
At 1 January	**8,998,333**	**899,833**	8,943,333	894,333
Shares issued under share option scheme	**17,500**	**1,750**	55,000	5,500
At 31 December	**9,015,833**	**901,583**	8,998,333	899,833

(Expressed in Hong Kong dollars)

28. SHARE CAPITAL (Continued)

On 16 September 2003, options were exercised to subscribe for 16,500,000 ordinary shares of $0.1 each in the Company at a consideration of $2,467,000, of which $1,650,000 was credited to share capital and the remaining balance of $817,000 was credited to the share premium account.

On 11 November 2003, options were exercised to subscribe for 1,000,000 ordinary shares of $0.1 each in the Company at a consideration of $149,000, of which $100,000 was credited to share capital and the remaining balance of $49,000 was credited to the share premium account.

During 2002, options were exercised to subscribe for 55,000,000 ordinary shares of $0.1 each in the Company at a consideration of $8,223,000, of which $5,500,000 was credited to share capital and the remaining balance of $2,723,000 was credited to the share premium account.

(Expressed in Hong Kong dollars)

29. RESERVES

(a) The Group

	Share premium $'000	Capital redemption reserve $'000	Capital reserve $'000	Exchange fluctuation reserve $'000	Investment properties revaluation reserve $'000	Other reserves $'000	Accumulated losses $'000	Total $'000
At 1 January 2002	1,743,509	971	49,050	858	263	1,319	(2,335,329)	(539,359)
Exchange differences arising on consolidation	—	—	—	(128)	—	—	—	(128)
Profit for the year	—	—	—	—	—	—	115,509	115,509
Revaluation surplus, net of minority interests (see note 15(d))	—	—	—	—	16,339	—	—	16,339
Shares issued under share option scheme	2,723	—	—	—	—	—	—	2,723
Share of associates' reserves	—	—	—	(53)	—	—	—	(53)
Transfer to statutory reserve	—	—	—	—	—	1,844	(1,844)	—
At 31 December 2002	1,746,232	971	49,050	677	16,602	3,163	(2,221,664)	(404,969)
At 1 January 2003	1,746,232	971	49,050	677	16,602	3,163	(2,221,664)	(404,969)
Exchange differences arising on consolidation	—	—	—	(1,232)	—	—	—	(1,232)
Profit for the year	—	—	—	—	—	—	102,762	102,762
Revaluation surplus, net of minority interests and deferred tax (note 15(d))	—	—	—	—	3,998	—	—	3,998
Reserves realised upon disposal of a subsidiary	—	—	—	32	—	(216)	—	(184)
Shares issued under share option scheme	866	—	—	—	—	—	—	866
Share of associates' reserves	—	—	—	(575)	—	—	—	(575)
Transfer to statutory reserve	—	—	—	—	—	9,060	(9,060)	—
At 31 December 2003	**1,747,098**	**971**	**49,050**	**(1,098)**	**20,600**	**12,007**	**(2,127,962)**	**(299,334)**

(Expressed in Hong Kong dollars)

29. RESERVES (Continued)

(a) The Group (Continued)

Included in the accumulated losses as at 31 December 2003 is a loss of $27,497,000 (2002: loss of $48,431,000) attributable to associates.

The application of the share premium and capital redemption reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

The capital reserve, exchange fluctuation reserve and revaluation reserve have been set up and will be dealt with in accordance with the accounting policies adopted for goodwill/capital reserve arising on acquisition of subsidiaries and associates prior to 1 January 2001, foreign currency translation and the revaluation of properties (note 1). Other reserves represent statutory reserves of entities established in the PRC.

(b) The Company

	Share premium	**Capital redemption reserve**	**Capital reserve**	**Investment properties revaluation reserve**	**Accumulated losses**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2002	1,743,509	971	48,157	263	(2,331,847)	(538,947)
Shares issued under share option scheme	2,723	—	—	—	—	2,723
Revaluation deficit (see note 15(d))	—	—	—	(263)	—	(263)
Profit for the year	—	—	—	—	60,799	60,799
At 31 December 2002	1,746,232	971	48,157	—	(2,271,048)	(475,688)
At 1 January 2003	1,746,232	971	48,157	—	(2,271,048)	(475,688)
Shares issued under share option scheme	866	—	—	—	—	866
Revaluation surplus (see note 15(d))	—	—	—	12,100	—	12,100
Profit for the year	—	—	—	—	73,405	73,405
At 31 December 2003	**1,747,098**	**971**	**48,157**	**12,100**	**(2,197,643)**	**(389,317)**

At 31 December 2002 and 2003, there was no reserve available for distribution to shareholders of the Company.

(Expressed in Hong Kong dollars)

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of a subsidiary

	2003
	$'000
Net assets/(liabilities) disposed:	
Inventories	18,666
Debtors, deposits and prepayments	5,536
Cash and cash equivalents	324
Creditors and accrued charges	(12,759)
Short-term loan	(3,777)
Amount due to minority shareholders	(12,192)
	(4,202)
Release of reserves	(184)
	(4,386)
Satisfied by cash received	4,711

(b) Analysis of net cash inflow in respect of the disposal of a subsidiary

	2003
	$'000
Cash consideration	4,711
Cash and cash equivalents disposed	(324)
Net cash inflow in respect of the disposal of a subsidiary	4,387

(Expressed in Hong Kong dollars)

31. COMMITMENTS

(a) Capital commitments outstanding as at 31 December 2003 not provided for in the financial statements were as follows:

	The Group	
	2003	2002
	$'000	*$'000*
Contracted for	**971**	1,348
Authorised but not contracted for	**2,814**	2,825
	3,785	4,173

(b) At 31 December 2003, the total future minimum lease payments under non-cancellable operating leases of properties are payable as follows:

	The Group	
	2003	2002
	$'000	*$'000*
Within 1 year	**625**	707
After 1 year but within 5 years	**939**	915
After 5 years	**4,342**	—
	5,906	1,622

The Group leases a number of properties under operating leases. The leases run for an initial period of one to thirty years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

(c) At 31 December 2003, the Company had committed to provide finance of $6,489,000 (2002: $6,489,000) to an associate of the Group.

32. LITIGATION

At 31 December 2003, the Group had an outstanding litigation against a former minority shareholder of a subsidiary in respect of amounts due to the Group totalling approximately $40,000,000. The Group has pledged an equivalent amount of bills receivable with an authorised bank in the PRC in order to obtain a guarantee issued in favour of the Group to the Dongguan Intermediate People's Court. Full provision has previously been made against this receivable.

(Expressed in Hong Kong dollars)

32. LITIGATION (Continued)

Management recognises that the debt collection to be important to the Group and will continue to commit reasonably sufficient resources in this regard. At this stage, the debt recovery work is still in progress, including appointing debt collection agents and making legal claims against certain debtors, in order to recover as much debt as possible.

33. MATERIAL RELATED PARTY TRANSACTIONS

Related party transactions, which the Directors consider material to the Group during the year, are summarised as follows:

	Note	**2003**	2002
		$'000	*$'000*
Sales of goods to related companies	*(b)*	**2,776**	7,712
Purchases of goods from related companies	*(b)*	**23,582**	24,525
Interest income from an associate	*(c)*	**1,462**	2,340
Net gain on disposal of associates		**—**	427
Cash paid to a fellow subsidiary for early redemption of convertible notes	*26*	**80,000**	105,000
Management fee income from related companies		**—**	1,010
Reimbursement of expenses to the immediate holding company		**428**	833
Interest on convertible notes payable to a fellow subsidiary		**3,443**	6,345
Subsidy received from the immediate holding company		**—**	5,712
Provision of electricity/water and leasing services to a fellow subsidiary		**3,181**	3,187
Agency fee paid to a related company		**582**	41

(Expressed in Hong Kong dollars)

33. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

Notes:

(a) Balances with related parties at 31 December are included in amounts due from/to the respective parties in the balance sheets. These balances are interest free and have no fixed terms of repayment, except those disclosed in note (c) below.

(b) Related companies to/from which goods were sold and purchased included associates and minority shareholders of partly-owned subsidiaries.

(c) In 1999, the Company entered into an unsecured shareholders' loan agreement with an associate, Yellow Dragon Food Industry Company Limited. Pursuant to the agreement the Company advanced US$6,700,000 (approximately HK$52,000,000) to the associate at an interest rate of 7.8% per annum. The amount is repayable in full in 5 years commencing from 1 January 2000 and the principal and interest shall be payable twice annually. At the balance sheet date, the outstanding loan and interest receivable from the associate amounted to $9,782,000 (2002: $25,507,000) and $Nil (2002: $920,000) respectively.

34. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000 (the "Cap"). The amounts in excess of the Cap are contributed to the MPF Scheme by both employers and employees as voluntary contributions. Mandatory contributions to the MPF Scheme are vested to the employees. Any unvested balance from voluntary contributions is refunded to the Group.

Employees engaged by the Group outside Hong Kong are covered by the appropriate local defined contribution schemes pursuant to the local labour rules and regulations.

The Group's pension cost charged to the profit and loss account for the year ended 31 December 2003 was $1,979,000 (2002: $2,572,000). The forfeited contribution refunded for the year amounted to $1,405,000 (2002: $2,039,000).

35. ULTIMATE HOLDING COMPANY

The Directors consider the ultimate holding company at 31 December 2003 to be Guangdong Yue Gang Investment Holdings Company Limited, which is established in the PRC.

(Expressed in Hong Kong dollars)

36. LIST OF SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2003 are as follows:

Name of subsidiary	Principal country/ place of operations	Class of shares held	Issued and fully paid capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Subsidiary	Principal activities
Best Keen Enterprises Limited (Incorporated in the British Virgin Islands)	Hong Kong	Ordinary	US$1	100%	—	Dormant
Dongguan Jinhuang Food Co., Ltd.#	The PRC	N/A	RMB40,000,000	—	100%	Leasing
Gain First Investments Limited (Incorporated in the British Virgin Islands)	Hong Kong	Ordinary	US$1	100%	—	Investment holding
高要廣南畜牧發展有限公司*	The PRC	N/A	US$3,759,000	51%	—	Leasing
Guangnan Distribution Company Limited	Hong Kong	Ordinary	$10,000,000	—	100%	Investment holding
Guangnan Fresh and Live Foodstuffs Limited	Hong Kong	Ordinary	$1,000,000	100%	—	Distribution of live and fresh foodstuffs
Guangnan Supermarket (China) Limited	Hong Kong	Ordinary	$2	100%	—	Dormant
Guangnan Supermarket Development Limited	Hong Kong	Ordinary	$135,742,220	100%	—	Investment holding
Guangnan Trading Development Limited	Hong Kong	Ordinary	$73,916,728	100%	—	Trading of foodstuffs
Guangnan (Zhan Jiang) Jiafeng Feed Co. Ltd.#	The PRC	N/A	$5,000,000	100%	—	Manufacturing and trading of feed

(Expressed in Hong Kong dollars)

36. LIST OF SUBSIDIARIES (Continued)

Name of subsidiary	Principal country/ place of operations	Class of shares held	Issued and fully paid capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Subsidiary	Principal activities
Hinloon International Limited	Hong Kong	Ordinary	$100,000	100%	—	Dormant
Jin Huang Food Industry Investment Limited (Incorporated in the British Virgin Islands)	Hong Kong	Ordinary	$1,000,000	100%	—	Investment holding
Jin Huang Food Industry Investment Limited	Hong Kong	Ordinary	$1,000,000	—	100%	Investment holding
Southern Chain (Hong Kong) Limited	Hong Kong	Ordinary	$7,000,000	100%	—	Dormant
Zhongyue Industry Material Limited	Hong Kong	Ordinary	$10	—	100%	Trading of raw materials for production of tinplate products
		Non-voting deferred	$230,000,000	—	—	
Zhongshan Shan Hai Industrial Co., Ltd.*	The PRC	N/A	RMB45,600,000	—	95%	Property development and leasing
Zhongshan Zhongyue Tinplate Industrial Co., Ltd.*	The PRC	N/A	US$26,906,200	—	95%	Production and sales of tinplate products

* an equity joint venture established in the PRC

\# a wholly foreign-owned enterprise established in the PRC

(Expressed in Hong Kong dollars)

37. LIST OF COMPANIES UNDER LIQUIDATION

Particulars of the companies under liquidation or petitioned to court for liquidation are as follows:

Name of company	Principal country/ place of operations	Class of shares held	Issued and fully paid capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Subsidiary
Guangnan (KK) Supermarket Limited#	Hong Kong	Ordinary	$20,000,000	—	70%
Guangdong Guangnan Tianmei Food Development Company Limited##	The PRC	N/A	RMB34,820,000	—	55%
廣州經濟技術開發區廣之傑倉儲有限公司###	The PRC	N/A	US$6,500,000	—	80%

\# company commenced liquidation in June 2001

\## an equity joint venture established in the PRC and was petitioned to court for liquidation in July 2001

\### an equity joint venture established in the PRC and commenced liquidation in May 2003

(Expressed in Hong Kong dollars)

38. LIST OF ASSOCIATES

Particulars of the associates at 31 December 2003 are as follows:

Name of associate	Principal country/ place of operations	Class of shares held	Proportion of nominal value of issued capital/ capital registered held by the Company	Subsidiary	Principal activities
Fruit and Vegetable Wharf (H.K.) Limited	Hong Kong	Ordinary	20%	—	Fruit and vegetable wholesaling
Yellow Dragon Food Industry Co., Ltd.*	The PRC	N/A	40%	—	Processing and sale of corn food and feed products
Zhongshan Baoli Food Ltd.*	The PRC	N/A	30%	—	Processing of canned food

* an equity joint venture established in the PRC