(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 dated 30 January 2002 issued by the Company (the "Prospectus") and the details of the subsidiaries acquired 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 the year ended 31 December 2002, rather than from 17 January 2002. Accordingly, the consolidated results of the Group for the year ended 31 December 2002 include the results of the Company and its subsidiaries with effect from 1 January 2002 or since their respective dates of incorporation, where there is a shorter period.

2. PRINCIPAL 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 ("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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

c) Subsidiaries

A subsidiary is an enterprise 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 recognised in the consolidated income statement as they arise.

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

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 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 recognised 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 estimated 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 recognised in the income statement on the date of retirement or disposal.

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 investments in subsidiaries may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

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 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 income statement in the year in which the reversals are recognised.

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 recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised 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 recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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 flows statement.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 2003 and 2002.

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 Funds 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 recognised 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 recognised at the date of grant. When the options are exercised, equity is increased by the amount of proceeds received.

j) Income Tax

(i) Income tax for the year comprises current tax and movements in deferred ax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

j) Income Tax *(Continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from 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.

(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 realised the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

k) Provisions and Contingent Liabilities

Provisions are recognised 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

l) Revenue Recognition

Revenue is recognised 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 recognised in the income statement as follows:

(i) *Sale of goods*

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

(ii) *Subsidy income*

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

(iii) *Interest income*

Interest income is recognised 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").

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 recognised in the income statement as an integral part of the aggregate net lease payments made.

(Expressed in Renminbi unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

p) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the income statement as revenue on a systematic basis over the useful life of the asset.

q) Related Parties

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

r) 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

SSAP12 (Revised) "Income taxes"

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 reasonable 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 Hong Kong Society of Accountants, the Group adopted a new policy for deferred tax as set out in note 2(j).

The new accounting policy has been adopted retrospectively. The adoption of this accounting policy has no significant effect on the results.

(Expressed in Renminbi unless otherwise stated)

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

	2003 **RMB'000**	2002 RMB'000
Subsidy income*	**145**	260
Interest income from banks	**1,589**	1,052
Others	**—**	160
	1,734	1,472

* 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.

(Expressed in Renminbi unless otherwise stated)

6. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

		2003 RMB'000	2002 RMB'000
(a)	Finance costs		
	Interest on borrowings wholly repayable within five years		
	— bank loans and overdraft	**2,783**	2,711
	— coupon bonds	**698**	—
		3,481	2,711
	Other borrowing costs	**10,042**	—
	Less: Write-back of provision for interest on other loan	**—**	(1,909)
		13,523	802
(b)	Staff costs#		
	Contributions to Mandatory Provident Funds Scheme	**53**	60
	Contributions to PRC retirement scheme	**744**	507
	Retirement cost	**797**	567
	Salaries, wages and other benefits	**7,542**	17,146
		8,339	17,713
(c)	Other items		
	Cost of inventories#	**194,102**	182,516
	Depreciation of fixed assets#	**11,976**	9,749
	Operating lease charges in respect of premises	**9,024**	2,381
	Research and development costs	**—**	1,060
	Provision/(write-back) of provision for bad and doubtful debts	**266**	(277)
	Auditors' remuneration		
	— provision for the current year	**545**	351
	— overprovision in prior years	**—**	(32)
	Net exchange loss	**107**	2,636

Cost of inventories includes approximately RMB14,539,000 (2002: RMB12,104,000) relating to staff costs and depreciation expenses, which amount is also included in the respective total amount disclosed separately above or in note 6(b) for each of these types of expenses.

7. TAXATION

(a) Taxation in the consolidated income statement represents:

	2003 RMB'000	2002 RMB'000
Current tax		
PRC enterprise income tax for the year	**40,381**	16,550
Deferred tax		
Origination and reversal of temporary differences	**(993)**	—
	39,388	16,550

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 (2002: Nil).

(ii) PRC enterprise income tax

Fuqing Longyu Food Development Co., Ltd. ("Fuqing Longyu"), 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 became profitable after offsetting prior years' 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. Fuqing Longyu was chargeable to PRC enterprise income tax at a rate of 24% for the year ended 31 December 2003.

(Expressed in Renminbi unless otherwise stated)

7. TAXATION *(Continued)*

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

	2003 RMB'000	2002 RMB'000
Profit before tax	**149,845**	125,248
Notional tax on profit before tax, calculated at the applicable rates	**30,191**	30,855
Tax effect of non-deductible expenses	**28**	332
Tax effect of non-taxable revenue	**6,001**	(74)
Tax effect of unused tax losses not recognized	**3,168**	1,332
Tax effect of reduced tax rate	**—**	(16,239)
Others	**—**	344
Actual tax expense	**39,388**	16,550

8. DIRECTORS' REMUNERATION

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

	2003 RMB'000	2002 RMB'000
Executive directors:		
Fees	**—**	—
Salaries and other emoluments	**1,704**	1,620
Retirement scheme contributions	**28**	34
	1,732	1,654
Non-executive directors:		
Fees	**32**	—
Independent non-executive directors:		
Fees	**127**	127
	1,891	1,781

8. DIRECTORS' REMUNERATION *(Continued)*

During the years ended 31 December 2003 and 2002, no emoluments were paid or payable to the non-executive directors and the independent non-executive directors.

The remuneration of the directors is within the following bands:

	2003 Number of directors	2002 Number of directors
Nil – RMB1,060,000 (approximately equivalent to HK$1,000,000)	**7**	8
RMB1,060,000 – RMB1,590,000 (approximately equivalent to HK$1,500,000)	**1**	1
	8	9

During the years ended 31 December 2003 and 2002, 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.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2002: two) are directors whose emoluments are disclosed in note 8 above. The aggregate of the emoluments in respect of the other two (2002: three) individuals are as follows:

	2003 RMB'000	2002 RMB'000
Salaries and other emoluments	**965**	988
Retirement scheme contributions	**25**	36
	990	1,024

The emoluments of the two (2002: three) individuals with the highest emoluments are within the following bands:

	2003 Number of individuals	2002 Number of individuals
Nil – RMB1,060,000 (approximately equivalent to HK$1,000,000)	**2**	3

During the years ended 31 December 2003 and 2002, no emoluments were 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 RMB17,937,000 (2002: RMB7,509,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2003 RMB'000	2002 RMB'000
Amount of consolidated loss attributable to shareholders dealt with in the Company's financial statements	**(17,937)**	(7,509)
Final dividends from a subsidiary attributable to the profits of the previous financial year, approved and paid during the year	**51,940**	—
Company's profit / (loss) for the year (note 29(b))	**34,003**	(7,509)

11. DIVIDENDS

(a) Dividend attributable to the year:

	2003 RMB'000	2002 RMB'000
Final dividend proposed after the balance sheet date of HK$0.02 (approximately equivalent to RMB0.0212) per ordinary share (2002: HK$0.03 (approximately equivalent to RMB0.0318) per ordinary share)	**17,394**	25,440

After the balance sheet date, the directors proposed a final dividend of HK$0.02 (approximately equivalent to RMB0.0212) per ordinary share, together with a bonus issue of shares of HK$0.05 each, on the basis of two shares for every one hundred shares held by the shareholders whose names appear on the register of members of the Company on 4 June 2004.

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

(b) Dividends attributable to the previous financial year, approved and paid during the year:

	2003 RMB'000	2002 RMB'000
Final dividend in respect of the year ended 31 December 2002, approved and paid during the year ended 31 December 2003, of HK$0.03 (approximately equivalent to RMB0.0318) per ordinary share	**25,440**	—

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 RMB110,457,000 (2002: RMB108,698,000) and the weighted average of 802,305,000 (2002: 778,000,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2003 is based on the profit attributable to shareholders of approximately RMB110,457,000 and the weighted average number of 811,335,000 ordinary shares after adjusting for the effects of all dilutive potential shares.

Diluted earnings per share for the year ended 31 December 2002 was not presented as there were no dilutive potential shares in existence during the year ended 31 December 2002.

(c) Reconciliations

	The Group	
	2003 Number of shares '000	2002 Number of shares '000
Weighted average number of ordinary shares used in calculating basic earnings per share	**802,305**	778,000
Deemed issue of ordinary shares for no consideration	**9,030**	—
Weighted average number of ordinary shares used in calculating diluted earnings per share	**811,335**	778,000

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 RMB21,200), contributions to the MPF Scheme vest immediately. Contributions paid or payable to the MPF Scheme are charged to the income statement.

(Expressed in Renminbi unless otherwise stated)

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 19% of the basic salary of its employees in accordance with the relevant regulations of the PRC and are charged to the consolidated 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:

	2003 **RMB'000**	2002 RMB'000
Contributions to the MPF Scheme	**53**	60
Contribution to PRC retirement scheme	**744**	507
	797	567

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

(Expressed in Renminbi unless otherwise stated)

14. SEGMENT REPORTING *(Continued)*

	Frozen marine food products		Frozen functional food products		Refrigerated processed meat products		Consolidated	
	2003 RMB'000	2002 RMB'000	**2003 RMB'000**	2002 RMB'000	**2003 RMB'000**	2002 RMB'000	**2003 RMB'000**	2002 RMB'000
Revenue from external customers	**249,275**	209,525	**128,992**	127,134	**111**	157	**378,378**	336,816
Segment result	**124,152**	102,867	**60,560**	51,496	**(436)**	(63)	**184,276**	154,300
Unallocated operating income and expenses							**(20,908)**	(28,250)
Profit from operations							**163,368**	126,050
Finance costs							**(13,523)**	(802)
Taxation							**(39,388)**	(16,550)
Profit attributable to shareholders							**110,457**	108,698
Depreciation for the year:								
Segment depreciation	**3,086**	2,216	**1,769**	2,395	**413**	663	**5,268**	5,274
Unallocated depreciation							**6,708**	4,475
							11,976	9,749
Segment assets	**100,559**	63,603	**52,925**	36,270	**771**	1,396	**154,255**	101,269
Unallocated assets							**506,112**	352,169
Total assets							**660,367**	453,438
Segment liabilities							**—**	—
Unallocated liabilities							**186,633**	72,530
Total liabilities							**186,633**	72,530
Capital expenditure incurred during the year:								
Segment capital expenditure	**20,393**	14,458	**1,829**	—	**—**	—	**22,222**	14,458
Unallocated capital expenditure							**8,944**	41,341
Total							**31,166**	55,799

(Expressed in Renminbi unless otherwise stated)

14. SEGMENT REPORTING *(Continued)*

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	
	2003 RMB'000	2002 RMB'000	**2003 RMB'000**	2002 RMB'000	**2003 RMB'000**	2002 RMB'000	**2003 RMB'000**	2002 RMB'000	**2003 RMB'000**	2002 RMB'000
Revenue from external customers	**416**	3,097	**274,028**	249,488	**103,934**	83,326	**—**	905	**378,378**	336,816

Approximately 92% (2002: 91%) 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 2003	10,292	77,816	62,031	1,443	1,742	3,697	157,021	750
Additions	—	8,051	16,472	112	531	6,000	31,166	40
Disposals	—	—	—	—	—	(3,697)	(3,697)	—
At 31 December 2003	10,292	85,867	78,503	1,555	2,273	6,000	184,490	790
Accumulated depreciation and impairment loss								
At 1 January 2003	564	15,493	19,078	475	880	3,697	40,187	150
Charge for the year	226	3,917	7,344	326	163	—	11,976	158
Disposals	—	—	—	—	—	(3,697)	(3,697)	—
At 31 December 2003	790	19,410	26,422	801	1,043	—	48,466	308
Net book value								
At 31 December 2003	9,502	66,457	52,081	754	1,230	6,000	136,024	482
At 31 December 2002	9,728	62,323	42,953	968	862	—	116,834	600

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.

(Expressed in Renminbi unless otherwise stated)

16. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2003	2002
	RMB'000	RMB'000
Unlisted shares, at cost	**114**	114

At 31 December 2003, details of the subsidiaries were as follows:

Name of company	Place of incorporation/ establishment	Issued share capital/registered capital	Proportion of attributable equity interest held Directly	Indirectly	Principal activities
			%	%	
First China Technology Limited	British Virgin Islands	US$1,000	100%	—	Investment holding
Smart Dragon International Trading Limited	Hong Kong	HK$100	100%	—	Trading of food products
Fuqing Longyu Food Development Co., Ltd.*	PRC	US$5,000,000	—	100%	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	
	2003	2002
	RMB'000	RMB'000
At 1 January	**14,733**	3,933
Amounts paid during the year	**21,420**	12,000
	36,153	15,933
Amortization for the year	**(7,687)**	(1,200)
At 31 December	**28,466**	14,733

18. INVENTORIES

	The Group	
	2003	2002
	RMB'000	RMB'000
Raw materials, at cost	**993**	568
Finished goods, at cost	**20,818**	10,665
	21,811	11,233
Less: Provision for obsolete and slow moving inventories	**(1,383)**	(1,383)
	20,428	9,850

There was no inventory carried at net realizable value as at 31 December 2003 and 2002.

19. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2003	2002	**2003**	2002
	RMB'000	RMB'000	**RMB'000**	RMB'000
Due from subsidiaries	**—**	—	**171,300**	127,893
Trade receivables	**50,031**	44,700	**—**	—
Advances to suppliers*	**2,300**	2,515	**—**	—
Rental and other deposits	**7,228**	669	**278**	273
Prepayments	**39**	17	**—**	—
Advances to employees	**20**	41	**—**	—
Others	**372**	326	**—**	7
	59,990	48,268	**171,578**	128,173

* All of the advances to suppliers as at 31 December 2003 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.

(Expressed in Renminbi unless otherwise stated)

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	
	2003	2002
	RMB'000	RMB'000
Within 1 month	**35,702**	27,705
After 1 month but within 3 months	**16,951**	19,351
	52,653	47,056
Less: General provision for bad and doubtful debts	**(2,622)**	(2,356)
	50,031	44,700

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. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2003	2002	**2003**	2002
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits with banks and other financial institutions	**4,240**	37,100	**4,240**	5,300
Cash at bank and in hand	**410,226**	221,353	**82,465**	139
Cash and cash equivalents in the balance sheet	**414,466**	258,453	**86,705**	5,439
Less: Bank deposits with original maturity over 3 month	**—**	(31,800)		
Cash and cash equivalents in the consolidated cash flow statement	**414,466**	226,653		

(Expressed in Renminbi unless otherwise stated)

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2003 RMB'000	2002 RMB'000	**2003 RMB'000**	2002 RMB'000
Trade payables	**822**	1,580	**—**	—
Finance costs payable	**755**	—	**755**	—
Accruals and other payables	**2,338**	2,262	**1,064**	1,069
Other tax payable	**6,275**	3,526	**—**	—
Due to a director*	**4,194**	4,659	**2,353**	2,353
	14,384	12,027	**4,172**	3,422

* 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.

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

	The Group	
	2003 RMB'000	2002 RMB'000
Within 1 month	**219**	849
After 1 month but within 3 months	**101**	553
After 3 months but within 6 months	**355**	86
After 6 months	**147**	92
	822	1,580

(Expressed in Renminbi unless otherwise stated)

22. BANK LOANS, UNSECURED

At 31 December 2003, the bank loans were analysed as follows:

	The Group		The Company	
	2003	2002	**2003**	2002
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year or on demand and classified under current liabilities	**59,255**	41,500	**17,755**	—
After 1 year but within 2 years	**22,260**	—	**22,260**	—
After 2 years but within 5 years	**30,210**	—	**30,210**	—
Non-current portion	**52,470**	—	**52,470**	—
	111,725	41,500	**70,225**	—

23. PROVISION FOR STAFF WELFARE BENEFIT

	The Group	
	2003	2002
	RMB'000	RMB'000
At 1 January	**15,181**	5,055
Provision made for the year	**589**	10,893
Provision utilised for the year	**(940)**	(767)
At 31 December	**14,830**	15,181

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.

24. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	2003 **RMB'000**	2002 RMB'000
PRC enterprise income tax		
At 1 January	**3,822**	6,531
Provision for the year	**40,381**	16,550
Tax paid for the year	**(35,715)**	(19,259)
At 31 December	**8,488**	3,822

(b) Deferred tax assets recognised:

The following are the major deferred tax assets recognised and movements thereon:

	The Group			
	Tax loss RMB'000	**Provision for obsolete and slow-moving inventories** RMB'000	**Provision for bad and doubtful debts** RMB'000	**Tax total** RMB'000
Credited to consolidated income statement (note 7(a)) and at 31 December 2003	33	332	628	993

(c) Deferred tax assets/liabilities not recognised:

At the balance sheet date, the Group and the Company have not recognised deferred tax assets in respect of the tax losses of approximately RMB4,993,000 (2002: RMB1,825,000) and approximately RMB4,496,000 (2002: RMB1,328,000) respectively as it is not probable that taxable profit will be available against which the tax losses can be utilised. The tax losses do not expire under current tax legislation.

The Group and the Company have no significant potential deferred tax liabilities for the year and at the balance sheet date.

(Expressed in Renminbi unless otherwise stated)

25. COUPON BONDS

The 2.5% coupon bonds (the "Bonds") with detachable warrants attached, having an aggregate principal amount of US$4,500,000 (approximately equivalent to RMB37,206,000), were issued on 10 April 2003 and will mature on 9 April 2008. Each Bond is in the denomination of US$5,000 with a warrant attached. The Bonds bear interest at the coupon rate of 2.5% per annum, payable annually in arrears on 9 April each year. During the year ended 31 December 2003, no Bonds were redeemed, and at 31 December 2003, the Bonds were repayable as follows:

	The Group and the Company	
	2003	2002
	RMB'000	RMB'000
After 1 year but within 2 years	**11,162**	—
After 2 years but within 5 years	**26,044**	—
	37,206	—

The holders of the Bonds (the "Bondholders") may elect to redeem the Bonds at par in accordance with the following schedule in (i):

(i) Date of redemption	RMB'000
9 April 2004	11,162
9 April 2005	11,162
9 April 2006	7,441
9 April 2007	7,441
	37,206

In the event that if the Bondholders do not elect to redeem the Bonds in accordance with the schedule mentioned above, the Company shall redeem the Bonds at par in accordance with the following schedule in (ii):

(ii) Date of redemption	RMB'000
9 April 2006	11,162
9 April 2007	11,162
9 April 2007	7,441
9 April 2008	7,441
	37,206

In consideration of any Bonds being redeemed in (ii) above, the Company shall issue, to each Bondholder, one warrant for each Bond. Further details of the warrants are set our in note 27.

25. COUPON BONDS *(Continued)*

The Company may redeem all or part of the Bonds at any time following two and a half years after 9 April 2003 at par.

The Bondholders, having an aggregate principal amount of US$1,350,000 (approximately equivalent to RMB11,162,000), did not redeem their Bonds on 9 April 2004.

Further details of the redemption of the Bonds are set out in the announcement dated 4 April 2003 issued by the Company.

26. SHARE CAPITAL

		The Group and the Company			
		2003		2002	
	Note	**Number of share '000**	**Amount RMB'000**	Number of share '000	Amount RMB'000
Authorised:					
— Ordinary shares of HK$0.05 (approximately equivalent to RMB0.053) each		**2,000,000**	**106,000**	2,000,000	106,000
Issued and fully paid:					
— Ordinary shares of HK$0.05 (approximately equivalent to RMB0.053) each					
At 1 January		**800,000**	**42,400**	—	—
Issue of shares upon incorporation	(a) and (d)	**—**	**—**	100	106
Subdivision of shares into HK$0.05 each	(b)	**—**	**—**	1,900	—
Issue of shares arising from the Reorganization	(c)	**—**	**—**	156	8
Issue of shares upon initial public offering	(d)	**—**	**—**	200,000	10,600
Capitalisation issue of shares	(e)	**—**	**—**	597,844	31,686
Issue of shares upon exercise of warrants	(f)	**20,463**	**1,085**	—	—
At 31 December		**820,463**	**43,485**	800,000	42,400

Notes:

(a) The Company was incorporated on 27 July 2001 with an authorized share capital of HK$100,000 (approximately equivalent to 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.

(b) 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 (approximately equivalent to RMB106,000) comprising 2,000,000 ordinary shares of HK$0.05 each of which all ordinary shares were in issue.

(c) 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.

(Expressed in Renminbi unless otherwise stated)

26. SHARE CAPITAL *(Continued)*

Notes: *(Continued)*

(d) 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.

(e) On 11 February 2002, share premium of HK$29,892,200 (approximately equivalent to 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.

(f) During the period October 2003 to December 2003, 190 warrants were exercised to subscribe for 20,462,866 ordinary shares in the Company at the exercise price of HK$0.36 (approximately equivalent to RMB0.3816) per ordinary share and at a total consideration of approximately RMB7,809,000, of which approximately RMB6,724,000 was credited to the share premium account. Further details of the warrants are set out in note 27.

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

27. WARRANTS

The Company issued the coupon bonds (see note 25) with detachable warrants attached. The holders of warrants (the "Warrantholders") can exercise the subscription rights attaching to the warrants, in whole or in part, at any time from 10 April 2003 to 9 April 2008 (both days inclusive) to subscribe for the shares of the Company ("Subscription Shares") by either (i) delivering the bonds, so long as the bonds are not redeemed or (ii) paying the amount for the subscription, at an exercise price subject to adjustment ("Subscription Price").

The number of Subscription Shares to which a Warrantholder will be entitled for each warrant will be calculated by dividing the nominal amount of US$5,000 by the Subscription Price. Further details of the warrants are set out in the announcement dated 4 April 2003 issued by the Company.

(a) Movement in warrants:

	Number of warrants	
	2003	2002
At 1 January	**—**	—
Issued	**900**	—
Exercise (note 26(f))	**(190)**	—
At 31 December	**710**	—

(b) Terms of unexpired and unexercised warrants at balance sheet date:

		Number of warrants	
Date of grant	**Exercisable period**	**2003**	2002
10 April 2003	10 April 2003 to 9 April 2008	**710**	—

28. 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.

(Expressed in Renminbi unless otherwise stated)

29. RESERVES

(a) The Group

	Share premium RMB'000	Merger reserve RMB'000	Statutory reserve fund (note (ii)) RMB'000	Enterprise expansion reserve fund (note (i)) RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2002	—	41,527	10,081	10,081	72,171	133,860
Arising from the Reorganisation	—	(106)	—	—	—	(106)
Premium on issue of shares upon initial public offering (note 26(d))	144,160	—	—	—	—	144,160
Capitalization issue of shares (note 26(e))	(31,686)	—	—	—	—	(31,686)
Shares issuance expenses	(16,418)	—	—	—	—	(16,418)
Net profit for the year	—	—	—	—	108,698	108,698
Transfer from retained profits to other reserves	—	—	10,686	—	(10,686)	—
At 31 December 2002 and at 1 January 2003	96,056	41,421	20,767	10,081	170,183	338,508
Premium on issue of shares upon exercise of warrants (note 26(f))	6,724	—	—	—	—	6,724
Dividend in respect of the previous year (note 11(b))	—	—	—	—	(25,440)	(25,440)
Net profit for the year	—	—	—	—	110,457	110,457
At 31 December 2003	102,780	41,421	20,767	10,081	255,200	430,249

29. RESERVES *(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 approximately 10% of 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 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.

The directors of the subsidiary determined not to make any appropriation to the statutory reserve fund for the year ended 31 December 2003 because the balance of such fund as at 31 December 2003 has reached 50% of its registered capital (2002: transfer of approximately RMB10,686,000 to the statutory reserve fund).

(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 years ended 31 December 2003 and 2002, no such appropriations have been made.

(b) The Company

	Share premium RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2002	—	(43)	(43)
Premium arising from the public offer and placing of shares (note 26(d))	144,160	—	144,160
Captialisation issue of share (note 26(e))	(31,686)	—	(31,686)
Share issuance expenses	(16,418)	—	(16,418)
Net loss for the year	—	(7,509)	(7,509)
At 31 December 2002 at 1 January 2003	96,056	(7,552)	88,504
Premium on issue of shares upon exercise of warrants (note 26(f))	6,724	—	6,724
Net profit for the year	—	34,003	34,003
Dividend in respect of the previous year (note 11(b))	—	(25,440)	(25,440)
At 31 December 2003	102,780	1,011	103,791

(Expressed in Renminbi unless otherwise stated)

30. COMMITMENTS

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

	The Group	
	2003	2002
	RMB'000	RMB'000
Acquisition of fixed assets		
— authorised and contracted for	**8,000**	2,240
— authorised but not contracted for	**399**	—
	8,399	2,240
Research and development project		
— authorised and contracted for	**—**	600
	8,399	2,840

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

	The Group		The Company	
	2003	2002	**2003**	2002
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**12,639**	1,130	**206**	1,030
After 1 year but within 5 years	**45,589**	24,207	**—**	—
After 5 years	**171,960**	84,000	**—**	—
	230,188	109,337	**206**	1,030

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to twenty years. None of the leases includes contingent rentals.

31. CONTINGENT LIABILITIES

At 31 December 2003, there were contingent liabilities in respect of the following:

— Bank loan facilities of RMB5,000,000 at 31 December 2002 utilised by a third party and guaranteed by a wholly owned subsidiary. Such bank loans have been fully settled by this third party in September 2003. Accordingly, the corporate guarantee given by the Group has been discharged during the year.

— Bank loan facilities utilised by a wholly owned subsidiary and guaranteed by the Company amounting to RMB41,500,000 (2002: RMB41,500,000).

— Bank loan facilities of RMB10,600,000 (2002: RMB10,600,000) obtained and of RMB10,600,000 (2002: Nil) utilised by the Company and guaranteed by a wholly owned subsidiary.

32. POST BALANCE SHEET EVENTS

(a) On 25 February 2004, the single largest shareholder of the Company, Regal Splendid Limited ("Regal Splendid"), a company beneficially owned by Mr. Yeung Chung Lung, a director of the Company, entered into an agreement with an independent placing agent and the Company.

Pursuant to the agreement, Regal Splendid agreed to place through this independent placing agent up to 80,000,000 existing shares of the Company owned by Regal Splendid (the "Placing Shares") at a price of HK$0.64 per share and Regal Splendid also agreed to subscribe new shares of the Company equal to the number of Placing Shares successfully placed under the placing at a subscription price of HK$0.64 per share.

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

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.