

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2002.

### Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 12 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

### Listing

In addition to the listing of the Company's shares on The Singapore Exchange Securities Trading Limited (the "SGX-ST") on 14 March 2001, the Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "HKSE") by way of introduction on 28 October 2002. As a result, the Company has a dual primary listing of its shares on both the SGX-ST and the HKSE since 28 October 2002.

### Results and dividends

Details of the results of the Company and the Group for the year ended 31 December 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 42 to 44.

An interim dividend of RMB0.139 per ordinary share was declared on 28 August 2002. The directors proposed that a final dividend of RMB0.190 per ordinary share amounting to approximately RMB215,332,000 be paid for the year ended 31 December 2002.

### Summary financial information

A summary of the published results and assets and liabilities of the Group for the last 5 financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 4. This summary does not form part of the audited financial statements.

### Fixed assets

Details of movements in the fixed assets of the Group are set out in note 13 to the financial statements.

### Acquisition and disposal of subsidiaries

No subsidiary was acquired or disposed of during the year.

### Subsidiaries

Particulars of the Company's subsidiaries are set out in note 12 to the financial statements.

**Issue of shares and debentures**

On 17 July 2002, the Company entered into a placing agreement for the placement of up to 80,000,000 ordinary shares of HK\$0.50 each in the capital of the Company at the price of S\$1.22 per share (the “Placement”). In July 2002, 80,000,000 ordinary shares of the Company were allotted and placed in Singapore for the total consideration of S\$97,600,000, equivalent to approximately RMB460 million, before related expenses, pursuant to the Placement. The proceeds of the Placement are intended to be used for increasing the Group’s production capacity and working capital and for advertising and marketing.

During the year, 通遼金鑼食品有限公司 (“Tongliao Jinluo”), 大慶金鑼肉製品有限公司 (“Daqing Jinluo”) and 眉山市金鑼食品有限公司 (“Meishan Jinluo”), being wholly-owned subsidiaries of the Company, were established as wholly foreign-owned enterprises in the People’s Republic of China. The registered capitals of Tongliao Jinluo, Daqing Jinluo and Meishan Jinluo amounted to US\$2,200,000, US\$9,000,000 and RMB55,320,000 respectively and were paid up in full during the year. In addition, the registered capital of 湘潭金鑼肉食製品有限公司, a wholly-owned subsidiary of the Company, amounted to US\$1,800,000, was paid up during the year.

Save as disclosed above, none of the Company’s subsidiary issued any shares during the year.

The Company and its subsidiaries did not issue any debentures during the year.

**Share capital and share options**

Details of movements in the Company’s share capital during the year, together with reasons therefor, are set out in note 21 to the financial statements.

There is currently no share option scheme relating to the unissued shares of the Company.

**Bank borrowings**

Details of the bank borrowings of the Group are set out in note 20 to the financial statements.

**Pre-emptive rights**

There are no provisions for pre-emptive rights under the Company’s bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

**Purchase, redemption or sale of listed securities of the Company**

Except as disclosed in the section headed “Issue of shares and debentures” above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year. The Company has issued a policy on dealing in the Company’s shares to employees of the Company pursuant to the Best Practice Guide issued by the SGX-ST. The policy sets out the implications of insider dealing in the shares, and includes guidance to employees on dealing in the Company’s shares, which is modelled after the Best Practice Guide with some modifications.

### Material movements or transfers in reserves and provisions

Details of movements in the reserves of the Company and the Group during the year are set out in note 22 to the financial statements.

There were no material transfers to or from provisions during the year except for normal amounts recognised as an expense for such items as depreciation of fixed assets and provisions for trade debtors and income tax as disclosed in the financial statements.

### Distributable reserves

At 31 December 2002, the Company's reserves available for distribution, calculated in accordance with the provision of laws of Bermuda, amounted to approximately RMB51,000. The balance of approximately RMB557,229,000 in the share premium account may be distributed in the form of fully paid bonus shares.

### Major customers and suppliers

During the year, the five largest customers of the Group accounted for approximately 6% of the Group's consolidated turnover. In addition, the five largest suppliers of the Group accounted for approximately 7% of the Group's consolidated purchases for the year. Sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total sales and total purchases, respectively, for the year.

### Bad and doubtful debts

The directors have taken reasonable steps to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and have satisfied themselves that all known bad debts, if any, have been written off and that, where necessary, adequate provision has been made for doubtful debts in these financial statements.

At the date of this report, the directors are not aware of any circumstances which would render any amount written off or provided for bad and doubtful debts in the Group inadequate to any substantial extent.

### Current assets

The directors have taken reasonable steps to ascertain that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or adequate provision has been made for the impairments in the values of such current assets in these financial statements.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the consolidated financial statements misleading.

### **Charges on assets and contingent liabilities**

Since the end of the year, and up to the date of this report, no charge on the assets of the Company or any companies in the Group has arisen which would secure the liabilities of any other person and no contingent liability has arisen.

### **Ability to meet obligations**

Save as disclosed in note 24 to the financial statements, no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the year which, in the opinion of the directors, will or may substantially affect the ability of the Company and the Group to meet their obligations as and when they fall due.

### **Other circumstances affecting the financial statements**

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or in the financial statements which would render any amount stated in the financial statements of the Company and the Group misleading.

### **Unusual items**

In the opinion of the directors, the results of the operations of the Company and the Group during the year have not been substantially affected by any item, transaction or event of a material and unusual nature.

### **Unusual items after the financial year**

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the year and the date of this report which would affect substantially the results of the operations of the Company and the Group for the year in which this report is made.

### **Post balance sheet events**

Details of the significant post balance sheet events of the Company and the Group are set out in note 27 to the financial statements.

## Directors

The directors during the year were:

### *Executive directors:*

Ming Kam Sing

Zhou Lian Kui

Zhou Lian Liang

### *Non-executive and independent directors:*

Chng Hee Kok

Chan Kin Sang

Subsequent to the balance sheet date, on 7 January 2003, Dr. Ow Chin Hock was appointed as an independent non-executive director of the Company.

The directors of the Company, including the non-executive directors, are subject to retirement and re-election at the forthcoming annual general meeting in accordance with the Company's bye-laws.

In accordance with bye-law 86 of the Company's bye-laws, Mr. Chng Hee Kok and Mr. Chan Kin Sang will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. In accordance with bye-law 85(2) of the Company, Dr. Ow Chin Hock will be eligible for re-election at the forthcoming annual general meeting.

The retirement and re-election of the independent non-executive directors of the Company will be in accordance with the relevant provisions of the bye-laws of the Company. Save as aforesaid, the Company has fully complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the HKSE (the "HKSE Listing Rules").

## Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 22 and 24 of the annual report.

## Share option scheme

The Company does not operate any share option scheme.

## Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

**Directors' interests in shares**

According to the Register of Directors' Shareholdings, the only directors who held office at the end of the financial year and who had an interest in shares or debentures of the Company or its related corporations either on 1 January 2002, or on 31 December 2002, or on 21 January 2003, were as follows:

*At 1 January 2002*

Name of director	Direct interest	Deemed interest
	<i>Ordinary shares of HK\$0.50 each of the Company</i>	
Ming Kam Sing ( <i>note i</i> )	113,648,889	592,327,306
Zhou Lian Kui ( <i>note ii</i> )	4,666,624	592,327,306

*At 31 December 2002*

Name of director	Direct interest	Deemed interest
	<i>Ordinary shares of HK\$0.50 each of the Company</i>	
Ming Kam Sing ( <i>note i</i> )	113,648,889	592,327,306
Zhou Lian Kui ( <i>note ii</i> )	10,666,624	592,327,306

*At 21 January 2003*

Name of director	Direct interest	Deemed interest
	<i>Ordinary shares of HK\$0.50 each of the Company</i>	
Ming Kam Sing ( <i>note i</i> )	113,648,889	592,327,306
Zhou Lian Kui ( <i>note ii</i> )	10,666,624	592,327,306

*Notes:*

- (i) By virtue of the Companies Act, Chapter 50 of Singapore ("Singapore Companies Act"), Mr. Ming Kam Sing is deemed to be interested in the 592,327,306 shares held by Maleque Limited by virtue of his interest of 65% in Maleque Limited.
- (ii) By virtue of the Singapore Companies Act, Mr. Zhou Lian Kui is deemed to be interested in 592,327,306 Shares held by Maleque Limited by virtue of his interest of 25% in Maleque Limited.

**Directors' interests in shares (Continued)**

At 31 December 2002, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance of the laws of Hong Kong (the "SDI Ordinance")), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, were as follows:

Name of director	Number of shares held and nature of interest		
	Personal	Corporate	Total
	<i>Ordinary shares of HK\$0.50 each of the Company</i>		
Ming Kam Sing	113,648,889	592,327,306*	705,976,195
Zhou Lian Kui	10,666,624	—	10,666,624

\* These shares are held by Maleque Limited, a company incorporated in the British Virgin Islands, the issued share capital of which is owned as to 65% by Mr. Ming Kam Sing, 25% by Mr. Zhou Lian Kui and 10% by Mr. Zhou Lian Liang.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

**Substantial shareholders**

(as defined under the SDI Ordinance)

At 31 December 2002, the following parties had an interest of 10% or more in the issued share capital of the Company that was recorded in the register required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of the
		Company's share capital
Maleque Limited**	592,327,306	52.26%
Ming Kam Sing	113,648,889	10.03%

\*\* Maleque Limited is a company incorporated in the British Virgin Islands, the issued share capital of which is owned as to 65% by Mr. Ming Kam Sing, 25% by Mr. Zhou Lian Kui and 10% by Mr. Zhou Lian Liang.

The above shareholdings are also disclosed in the section headed "Directors' interests in shares" above.

Save as disclosed above, no person had an interest of 10% or more in the issued share capital of the Company that was required to be recorded in the register pursuant to Section 16(1) of the SDI Ordinance.

**Connected/interested person/related party transactions**

In compliance with the HKSE Listing Rules, the rules of the SGX-ST and International Accounting Standards, the directors of the Company confirmed that there were no connected, interested person or related party transactions during the year under the review.

**Directors' service contracts**

The Company entered into separate service agreements ("Service Agreements") with Mr. Ming Kam Sing, Mr. Zhou Lian Kui and Mr. Zhou Lian Liang for an initial period of three years commencing from 1 January 2001. Such Service Agreements are renewable automatically for successive terms of one year each unless terminated by not less than three months' notice in writing served by either party following the expiration of the end of the initial term or at any time thereafter.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment, other than statutory compensation.

**Directors' interests in contracts**

Except for the service contracts detailed above, no director had a material interest in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

**Code of Best Practice**

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the HKSE Listing Rules since the listing of the Company's shares on the HKSE on 28 October 2002, except that the independent non-executive directors of the Company are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement and re-election at the forthcoming annual general meeting in accordance with the Company's bye-laws.

**Audit committee, nominating committee and remuneration committee**

Details of the Company's audit committee, nominating committee and remuneration committee are set out in Statement of the Corporate Governance in pages 36 to 39.

**Auditors**

The auditors, Ernst & Young, Certified Public Accountants, Hong Kong, have expressed their willingness to accept re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.



**Other information required by the SGX-ST**

No material contracts to which the Company, its holding company, or any of its subsidiaries are a party and which involved directors' interests subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

On Behalf of the Board,

**Ming Kam Sing**

*Chairman*

**Zhou Lian Kui**

*Executive Director*

Hong Kong

18 March 2003