1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda on 31 August 2000. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. In the opinion of the directors, the ultimate holding company is Maleque Limited, a company incorporated in the British Virgin Islands.

On 14 March 2001, the Company's shares were successfully listed on The Singapore Exchange Securities Trading Limited (the "SGX-ST"). In addition, on 28 October 2002, the Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "HKSE").

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

The Group mainly operates in the People's Republic of China (the "PRC"), and employed approximately 8,900 employees as at 31 December 2002 (31 December 2001: approximately 6,000 employees).

The consolidated financial statements of the Company for the year ended 31 December 2002 were authorised for issue in accordance with a resolution of the directors passed on 18 March 2003.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board, and International Accounting Standards ("IAS") and Standing Interpretations Committee interpretations approved by The International Accounting Standards Committee that remain in effect.

The Group's operations are principally conducted in the PRC. Accordingly, the consolidated financial statements have been prepared in Renminbi ("RMB"), being the functional currency of all the principal companies in the Group.

Basis of presentation and consolidation

The consolidated financial statements for the year ended 31 December 2002 comprise the financial statements of the Company and all of its subsidiaries for that year, after the elimination of all material intercompany transactions. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. Acquisitions of subsidiaries are accounted for using the purchase method of accounting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation and consolidation (Continued)

Pursuant to a group restructuring exercise (the "Restructuring Exercise") to rationalise the structure of the Group in preparation for the initial public offering of the Company's shares on the SGX-ST, on 6 February 2001, the Company became the holding company of the subsidiaries comprising the Group. This was accomplished by acquiring the entire issued share capital of Loampit Limited ("Loampit"), the then holding company of certain of the subsidiaries as set out in note 12 to the financial statements, at a consideration of approximately RMB497,043,000, which was based on the consolidated net tangible asset value of Loampit and its subsidiaries as at 31 December 1999.

The consolidated financial statements for the year ended 31 December 2001 have been prepared by adopting uniting of interests method of accounting as a result of the Restructuring Exercise completed on 6 February 2001 involving the entities under common control. Under this method, the Company has been treated as the holding company of its subsidiaries for the financial year presented rather than from the date of acquisition of the subsidiaries. Accordingly, the consolidated results of the Group for the year ended 31 December 2001 include the results of the Company and its subsidiaries with effect from 1 January 2001 or since their respective dates of incorporation/establishment, where this is a shorter period. In the opinion of the directors, the consolidated financial statements for the year ended 31 December 2001 prepared on such basis, present more fairly the results, cash flows and state of affairs of the Group as a whole.

All significant intra-group transactions and balances are eliminated on consolidation.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(iii) dividend income, when the shareholders' right to receive the payment is established.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial instruments carried on the balance sheet included cash and bank balances, trade debtors, other receivables, trade creditors, other creditors and bank loans. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any accumulated impairment. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over the following estimated useful lives:

Leasehold land and buildings	The shorter of the lease terms and 50 years
Leasehold improvements	The shorter of the lease terms and 10 years
Plant and machinery	10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the sales proceeds and the carrying amount of the relevant asset.

Impairment of assets

The carrying amounts of assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may exceed the recoverable amount. If, as a result of the review, it is determined that the carrying amount of an asset exceeds its recoverable amount, an impairment loss is immediately recognised in the profit and loss account.

The recoverable amount is the higher of an asset's net realisable value and value in use. The net realisable value is the estimated amount obtainable from the sale of the asset in an arm's length transaction, between knowledgeable and willing parties, less the costs of disposal. The value in use is the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, where this is not possible, for the cash-generating unit of which the assets form part.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets (Continued)

If there is any indication that an impairment loss recognised for an asset no longer exists or has decreased, the recoverable amount is estimated and compared to the carrying amount. If there has been a change in the estimates used to determine an asset's recoverable amount since the last impairment loss was recognised, the carrying amount of the asset is increased to the recoverable amount, not exceeding the carrying amount of the asset (net of depreciation or amortisation) would have had if the impairment loss had not previously been recognised. Such reversals of impairment losses are credited to the profit and loss account.

Subsidiaries

A subsidiary is a company in which the Company has the power to control its financial and operating policies so as to obtain benefits from its activities, notwithstanding the proportion of its equity interest in that company.

Investments in subsidiaries are stated at cost less any impairment losses.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolescence on slow moving items. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads based on normal level of activities. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Trade and other creditors

Liabilities for trade and other creditors which are normally settled on credit terms of not more than 30 days, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Trade debtors

Trade debtors, which generally have credit terms of 30 to 60 days, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Provisions and contingencies

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions and contingencies (Continued)

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are expensed in the period in which they are incurred.

Retirement benefits and pension costs

Pursuant to the relevant regulations of the PRC government, the subsidiaries operating in the PRC have participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the PRC subsidiaries. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the profit and loss account as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

The Group has participated in a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") for its employees in Hong Kong who are eligible to participate in the MPF Scheme, in accordance with the Mandatory Provident Fund Schemes Ordinance. The MPF Scheme became effective from 1 March 2001. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Tax

PRC corporate income tax is provided at rates applicable to enterprises in the PRC on income for financial reporting purposes, as adjusted for income and expense items which are not assessable or deductible for income tax purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax (Continued)

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted at the balance sheet date or subsequently enacted.

Foreign currencies

The Group maintains its accounting records in RMB and transactions arising in foreign currencies are translated into RMB at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the results of the Company and its non-PRC subsidiaries are translated into RMB at the applicable rates of exchange ruling at the dates of the transactions and the assets and liabilities of the Company and its non-PRC subsidiaries are translated into RMB at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences, if any, are included in the exchange fluctuation reserve.

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are amortised using the straight-line basis over the commercial lives of the underlying products of not exceeding five years, commencing from the date when the products are put into commercial production.

At each balance sheet date, the Group assesses whether there is any indicator of impairment. If any such indication exists, the recoverable amount is estimated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development costs (Continued)

During each of the financial years ended 31 December 2001 and 2002, all research and development costs incurred were not significant to the Group and were charged to the profit and loss account in the years when they were incurred.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Dividends

Final dividends proposed by the directors are classified as an allocation of retained profits on a separate line within the capital and reserves section of the balance sheets, until they have been approved by the shareholders at general meeting. When these dividends are approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Cash and cash equivalents

Cash on hand and in banks are carried at cost.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash on hand and in banks, demand deposits and short term highly liquid investments which are readily convertible into known amounts of cash and subject to insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the loans or borrowings.

3. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and after elimination of all significant intra-group transactions. The Group's turnover is principally derived in the PRC.

An analysis of the Group's turnover and revenue is as follows:

	Group	
	2002	2001
	RMB'000	RMB'000
Turnover — Sale of goods	**5,056,763**	4,236,880
Interest income	**11,147**	8,138
Total revenue	**5,067,910**	4,245,018

A further analysis of the Group's turnover and revenue by activity is set out in note 23 to the financial statements.

The turnover of the Company for the year ended 31 December 2002 represents dividend income from its subsidiaries and has been eliminated on consolidation (2001: RMB130,612,000).

4. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is arrived at after charging/(crediting):

		Group		Company	
		2002	2001	**2002**	2001
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cost of inventories sold		**3,826,730**	3,238,988	**—**	—
Depreciation		**97,184**	79,731	**—**	—
Operating lease rentals on land and buildings		**4,555**	18,531	**—**	—
Staff costs (excluding directors' remuneration (note 6))		**63,845**	53,638	**650**	454
Less: Retirement scheme contributions		**(3,200)**	(2,603)	**—**	—
Amount included in research and development costs below		**(2,154)**	(1,699)	**—**	—
		58,491	49,336	**650**	454
Retirement scheme contributions		**3,200**	2,603	**—**	—
Research and development costs		**8,945**	9,885	**—**	—
Provision for doubtful debts		**3,400**	4,000	**—**	—
Professional expenses	(a)	**16,694**	1,980	**14,194**	—
Interest income		**(11,147)**	(8,138)	**(61)**	(47)

Note:

(a) The professional expenses of the Group included auditors' remuneration of approximately RMB2.5 million for the year ended 31 December 2002 (2001 : RMB2.0 million) and professional service fees of approximately RMB4.3 million (2001 : Nil) paid to the auditors in connection with the listing of the Company's shares on the HKSE. The professional expenses of the Company included professional service fees of approximately RMB4.3 million (2001 : Nil) paid to the auditors in connection with the listing of the Company's shares on the HKSE.

5. FINANCE COSTS

	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	RMB'000	**RMB'000**	RMB'000
Interest expense on bank loans, wholly repayable within five years	**13,035**	14,459	**—**	—

6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the HKSE and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2002	2001
	RMB'000	RMB'000
Fees	**419**	395
Other emoluments:		
Salaries, allowances and benefits in kind	**6,360**	6,360
Performance related bonuses	**—**	1,729
Pension scheme contributions	**—**	—
	6,360	8,089
	6,779	8,484

Fees include approximately RMB419,000 (2001: RMB395,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2001: Nil).

Each of the three executive directors' remuneration fell within the band of HK$1,500,001 to HK$2,000,000 and each of the two independent non-executive directors' remuneration fell within the band of Nil to HK$1,000,000.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

6. DIRECTORS' REMUNERATION (Continued)

The remuneration of the directors of the Company analysed into the following bands is disclosed in compliance with paragraph 1207.11 of Chapter 12 of the Listing Manual of the SGX-ST:

	Group		
	Executive directors	**Independent non-executive directors**	**Total**
Below S$250,000 (equivalent to below approximately RMB1,210,000)	—	2	2
S$250,000 to below S$500,000 (equivalent to approximately RMB1,210,000 to below approximately RMB2,420,000)	3	—	3
	3	2	5

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2001: three) directors, details of whose remuneration are set out in note 6 above. Details of the remuneration of the remaining two (2001: two) non-director, highest paid employees are as follows:

	Group	
	2002 RMB'000	2001 RMB'000
Salaries, allowances and benefits in kind	**1,494**	1,478
Performance related bonuses	**—**	—
Pension scheme contributions	**26**	12
	1,520	1,490

The remuneration of each of the two non-director, highest paid employees fell within the band of Nil to HK$1,000,000.

8. TAX

	Group	
	2002	2001
	RMB'000	RMB'000
PRC	**133,883**	139,276

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2001: Nil).

In accordance with various approval documents issued by the State Tax Bureau and the Local Tax Bureau of the PRC, Linyi Xincheng Jinluo Meat Products Co., Ltd. ("Linyi Xincheng"), Linyi Minsheng Food Development Co., Ltd. ("Linyi Minsheng"), 大慶金鑼肉製品有限公司 ("Daqing Jinluo"), 湘潭金鑼肉食製品有限公司 ("Xiangtan Jinluo"), 通遼金鑼食品有限責任公司 ("Tongliao Jinluo") and 眉山市金鑼食品有限公司 ("Meishan Jinluo"), wholly-owned subsidiaries of the Company established as wholly foreign-owned enterprises ("WOFEs") in the PRC, are entitled to an exemption from the PRC state and local corporate income tax for the first two profitable financial years of their operations and thereafter a 50% relief from the state corporate income tax of the PRC for the following three financial years (the "Tax Holiday"). Upon expiry of the tax relief period, the usual PRC corporate income tax rate of 33%, comprising a state corporate income tax rate of 30% and a local corporate income tax rate of 3%, is applicable to them.

Upon expiry of the Tax Holiday in the financial year ended 31 December 2000, Linyi Xincheng is subject to an income tax rate of 33% on its assessable profit for the year (2001: 33%).

The two years' tax exemption periods for Linyi Minsheng and Daqing Jinluo have commenced in the financial years ended 31 December 2001 and 2002, respectively, under local jurisdiction.

The two years' tax exemption periods for Xiangtan Jinluo, Tongliao Jinluo and Meishan Jinluo have not commenced during the year as they did not generate any net assessable profits attributable to their operations in the PRC during the year.

Tax has not been provided by the Company as the Company did not derive any assessable profits during the year (2001: Nil).

No deferred tax has been provided as the Group and the Company did not have any significant temporary differences which gave rise to a deferred tax asset or liability at the balance sheet date for both years presented.

The Group and the Company have no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

8. TAX (Continued)

A reconciliation of the expected tax expense with the actual tax expense is presented below:

	Group	
	2002	2001
	RMB'000	RMB'000
Profit before tax	**956,641**	754,118
Tax at the applicable tax rate of 33%	**315,692**	248,859
Non-taxable and non-deductible items and others, net	**4,050**	1,320
Tax exemption of Linyi Minsheng and Daqing Jinluo	**(185,859)**	(110,903)
Actual PRC corporate income tax	**133,883**	139,276

9. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2002 dealt with in the financial statements of the Company is approximately RMB259,696,000 (2001: RMB128,565,000).

10. DIVIDENDS

	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	RMB'000	**RMB'000**	RMB'000
The Company				
Proposed final dividend				
— RMB0.190 per share (2001: RMB0.101 per share)	**215,332**	106,386	**215,332**	106,386
Interim dividend — RMB0.139 per share (2001: RMB0.118 per share)	**157,532**	124,292	**157,532**	124,292
	372,864	230,678	**372,864**	230,678

A final dividend of RMB0.190 per ordinary share (2001: RMB0.101 per ordinary share), amounting to approximately RMB215,332,000 (2001: RMB106,386,000), has been proposed and will be submitted for formal approval at the forthcoming annual general meeting. As such, this dividend has not been recognised as a liability as at 31 December 2002.

10. DIVIDENDS (Continued)

The amount of the proposed final dividend for the year is calculated based on 1,133,324,723 shares (2001: 1,053,324,723 shares) in issue as at the date of approval of these financial statements. The proposed final dividend for the year is subject to the final approval of the Company's shareholders at the forthcoming annual general meeting.

During the year, the Group adopted the alternative disclosure requirement of proposed final dividend under IAS 1 "Presentation of Financial Statements". To comply with this alternative disclosure requirement, a prior year reclassification has been made to present the proposed final dividend on the face of the balance sheets of the Company and of the Group and to disclose the proposed final dividend as an allocation of retained profits on a separate line within the capital and reserves section of the balance sheets. The result of this has been to reclassify the proposed final dividend of approximately RMB106,386,000 for the year ended 31 December 2001 from the Group's and the Company's retained profits accounts to the proposed final dividend reserve accounts as at 31 December 2001. Such prior year reclassification had no net effect on the amount of the shareholders' equity of the Group and of the Company as at 31 December 2001.

The effect of this alternative disclosure requirement under IAS 1 as at 31 December 2002 is that the current year's proposed final dividend of approximately RMB215,332,000 has been included in the proposed final dividend reserve accounts within the capital and reserves section of the balance sheets of the Group and of the Company at that date, whereas in previous years only a disclosure of proposed final dividend would have been made in the notes to the financial statements.

11. EARNINGS PER SHARE

Basic earnings per share is calculated based on the Group's net profit attributable to shareholders of approximately RMB822,758,000 (2001: approximately RMB614,842,000) divided by the weighted average number of 1,088,612,394 ordinary shares of HK$0.50 each (2001: 1,029,653,490 ordinary shares of HK$0.50 each) in issue during the financial year.

Diluted earnings per share for the years ended 31 December 2002 and 2001 have not been calculated as no diluting events existed during these years.

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2002	2001
	RMB'000	RMB'000
Unlisted shares, at cost	**497,043**	497,043
Due from subsidiaries	**665,823**	229,421
	1,162,866	726,464

12. INVESTMENTS IN SUBSIDIARIES (Continued)

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries as at the balance sheet date are set out below:

Name	Place of incorporation/ establishment and operations	Paid-up share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Loampit*	British Virgin Islands	US$200	100	—	Investment holding
Champ Base Limited*	Hong Kong	HK$100	—	100	Investment holding
Linyi Xincheng* (Note (a))	PRC	US$11,300,000	—	100	Manufacturing and sale of meat products
Linyi Minsheng* (Note (b))	PRC	US$7,000,000	—	100	Manufacturing and sale of meat products
Xiangtan Jinluo* (Note (c))	PRC	US$1,800,000	—	100	Manufacturing and sale of meat products
Tongliao Jinluo* (Note (d))	PRC	US$2,200,000	—	100	Manufacturing and sale of meat products
Daqing Jinluo* (Note (e))	PRC	US$9,000,000	—	100	Manufacturing and sale of meat products
Meishan Jinluo* (Note (f))	PRC	RMB55,320,000	—	100	Manufacturing and sale of meat products

* Audited by Ernst & Young affiliated firms for statutory or consolidation purposes

12. INVESTMENTS IN SUBSIDIARIES (Continued)

Notes:

(a) Linyi Xincheng is a WOFE established by the Group for an operating period of 26 years commencing from the date of issuance of its business licence on 21 October 1994, which may be extended upon approval of the relevant PRC authorities according to PRC laws.

(b) Linyi Minsheng is a WOFE established by the Group for an operating period of 20 years commencing from the date of issuance of its business licence on 10 May 2001, which may be extended upon approval of the relevant PRC authorities according to PRC laws.

(c) Xiangtan Jinluo is a WOFE established by the Group for an operating period of 20 years commencing from the date of issuance of its business licence on 20 September 2001, which may be extended upon approval of the relevant PRC authorities according to PRC laws.

(d) Tongliao Jinluo is a WOFE established by the Group for an operating period of 20 years and 2 months commencing from the date of issuance of its business licence on 4 February 2002, which may be extended upon approval of the relevant PRC authorities according to PRC laws.

(e) Daqing Jinluo is a WOFE established by the Group for an operating period of 20 years commencing from the date of the issuance of its business licence on 19 March 2002, which may be extended upon approval of the relevant PRC authorities according to PRC laws.

(f) Meishan Jinluo is a WOFE established by the Group for an operating period of 20 years commencing from the date of issuance of its business licence on 11 April 2002, which may be extended upon approval of the relevant PRC authorities according to PRC laws.

13. FIXED ASSETS

Group

	Leasehold land and buildings		Leasehold improvements		Plant and machinery		Furniture, fixtures and office equipment		Motor vehicles		Total	
	2002 RMB'000	2001 RMB'000	**2002 RMB'000**	2001 RMB'000	**2002 RMB'000**	2001 RMB'000	**2002 RMB'000**	2001 RMB'000	**2002 RMB'000**	2001 RMB'000	**2002 RMB'000**	2001 RMB'000
Cost:												
At 1 January	**90,417**	48,551	**258,692**	242,898	**504,918**	307,327	**8,061**	5,152	**12,130**	9,804	**874,218**	613,732
Additions	**214,509**	41,866	**41,903**	15,794	**238,082**	197,591	**3,916**	2,909	**1,780**	2,326	**500,190**	260,486
At 31 December	**304,926**	90,417	**300,595**	258,692	**743,000**	504,918	**11,977**	8,061	**13,910**	12,130	**1,374,408**	874,218
Accumulated depreciation:												
At 1 January	**9,833**	7,573	**105,196**	73,636	**129,717**	87,173	**3,084**	1,945	**8,550**	6,322	**256,380**	176,649
Provided during the year	**6,694**	2,260	**28,466**	31,560	**58,378**	42,544	**2,069**	1,139	**1,577**	2,228	**97,184**	79,731
At 31 December	**16,527**	9,833	**133,662**	105,196	**188,095**	129,717	**5,153**	3,084	**10,127**	8,550	**353,564**	256,380
Net book value	**288,399**	80,584	**166,933**	153,496	**554,905**	375,201	**6,824**	4,977	**3,783**	3,580	**1,020,844**	617,838

The Group's leasehold land and buildings are situated in the PRC and are held under medium term leases.

As at 31 December 2002, the Group is in the process of obtaining the land use rights certificates together with the related building ownership certificates for certain of its leasehold land and buildings situated in Daqing, Heilongjiang Province, the PRC amounting to approximately RMB90 million at net book value (2001: Nil). These leasehold land and buildings were acquired by the Group during the year. As confirmed by the Group's legal advisors, the Group has obtained the right to use the land and its improvements legally by way of such acquisition. Once the Group has obtained all relevant certificates, the Group has the right to assign, lease or mortgage the land and its improvements. Subsequent to the balance sheet date, relevant certificates for leasehold land and buildings amounting to approximately RMB28 million were obtained.

14. DEPOSITS

The amount represented the Group's deposits paid for the acquisition of fixed assets as at 31 December 2002 (2001 : Nil). Up to the date of these financial statements, approximately RMB54 million of the deposits have been transferred to the Group's fixed assets under the categories of plant and machinery and construction in progress upon delivery of machinery and commencement of the construction subsequent to the balance sheet date.

15. INVENTORIES

	Group	
	2002	2001
	RMB'000	RMB'000
Raw materials	**50,850**	51,519
Finished goods	**384,998**	322,218
	435,848	373,737

No significant amounts of inventories included in the above amount were carried at net realisable value as at 31 December 2002 (2001 : Nil).

16. TRADE DEBTORS

	Group	
	2002	2001
	RMB'000	RMB'000
Trade debtors	**505,617**	442,767
Less: Provision for doubtful debts	**(25,400)**	(22,000)
	480,217	420,767

The movements in the provision for doubtful debts were as follows:

	Group	
	2002	2001
	RMB'000	RMB'000
At 1 January	**22,000**	18,000
Provision during the year	**3,400**	4,000
At 31 December	**25,400**	22,000

16. TRADE DEBTORS (Continued)

The Group normally allows credit terms to its trade customers ranging from 30 to 60 days (2001: 30 to 60 days).

An aged analysis of the Group's trade debtors is as follows:

	Group	
	2002	2001
	RMB'000	RMB'000
Current–30 days	**274,126**	296,093
31–60 days	**136,655**	89,101
61–90 days	**59,664**	30,242
Over 90 days	**35,172**	27,331
	505,617	442,767

17. CASH AND BANK BALANCES

As at 31 December 2002, the Group had cash and bank balances mainly deposited in the banks in the PRC denominated in RMB amounted to approximately RMB267,247,000 (2001: approximately RMB169,584,000). RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

18. TRADE CREDITORS

An aged analysis of the Group's trade creditors is as follows:

	Group	
	2002	2001
	RMB'000	RMB'000
Current–30 days	**34,905**	33,743
31–60 days	**24,168**	21,082
61–90 days	**14,097**	9,846
Over 90 days	**3,569**	1,527
	76,739	66,198

19. ACCRUALS AND OTHER CREDITORS

	Group		Company	
	2002	2001	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000
Accruals	53,555	46,178	—	—
Other creditors	68,507	21,587	2,294	67
	122,062	67,765	2,294	67

20. INTEREST-BEARING BANK LOANS

The Group's bank loans are unsecured, bear interest ranging from 5% to 8% (2001: 6% to 9%) per annum and are repayable within one year.

21. SHARE CAPITAL

Shares

	2002	2001
	RMB'000	RMB'000
Authorised:		
4,000,000,000 (2001: 4,000,000,000) ordinary shares of HK$0.50 each	2,140,000	2,140,000
Issued and fully paid:		
1,133,324,723 (2001: 1,053,324,723) ordinary shares of HK$0.50 each	603,343	560,943

21. SHARE CAPITAL (Continued)

Shares (Continued)

The following changes in the Company's authorised and issued share capital have taken place:

	Notes	Number of ordinary shares of HK$0.10	Number of ordinary shares of HK$0.50 each	Par value RMB'000
Authorised:				
Balance at 1 January 2001		1,000,000	—	107
Creation of additional authorised share capital	(a)	19,999,000,000	—	2,139,893
Consolidation of every five ordinary shares into one ordinary share	(b)	(20,000,000,000)	4,000,000,000	—
Balance at 31 December 2001, 1 January 2002 and 31 December 2002		—	4,000,000,000	2,140,000
Issued:				
Balance at 1 January 2001		1,000,000	—	—
Share consolidation	(b)	(1,000,000)	200,000	—
Issue and allotment of ordinary shares	(c)	—	933,124,723	496,937
Credited as fully paid the1,000,000 shares of HK$0.10 each that were issued nil-paid on 4 October 2000	(c)	—	—	106
New shares issued for public subscription	(d)	—	120,000,000	63,900
Balance at 31 December 2001 and 1 January 2002		—	1,053,324,723	560,943
Placing of shares to the public	(e)	—	80,000,000	42,400
Balance at 31 December 2002		—	1,133,324,723	603,343

21. SHARE CAPITAL (Continued)

Shares (Continued)

Notes:

(a) On 6 February 2001, the authorised share capital of the Company was increased from HK$100,000 to HK$2,000,000,000 by the creation of an additional 19,999,000,000 shares of HK$0.10 each.

(b) On 6 February 2001, every five ordinary shares of HK$0.10 each in the authorised and issued share capital of the Company were consolidated into one ordinary share of HK$0.50 each.

(c) On 6 February 2001, pursuant to the Restructuring Exercise, an aggregate of 933,124,723 ordinary shares of HK$0.50 each in the Company were issued and credited as fully paid; and the 200,000 ordinary shares of HK$0.50 each then outstanding in the Company were credited as fully paid, in consideration of and in exchange for the acquisition by the Company of the entire issued share capital of Loampit.

(d) On 14 March 2001, 120,000,000 new shares of HK$0.50 each were issued to the public (the "Public Offer") at S$0.45 each for a total cash consideration, before issue expenses, of S$54,000,000 (approximately RMB254,934,000). The net proceeds from the Public Offer were intended to be used for acquisition of fixed assets and expansion of the Group' distribution network.

(e) On 17 July 2002, 80,000,000 shares of HK$0.50 each were issued by way of placement of shares (the "Placement") at S$1.22 each for a total cash consideration, before issue expenses, of S$97,600,000 (approximately RMB457,451,000). The net proceeds from the Placement were intended to be used for increasing the Group's production capacity and working capital and for the Group's advertising and marketing.

22. RESERVES

Group

	Share premium account RMB'000	Statutory reserves RMB'000 (note (a))	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2001	—	47,045	272,935	319,980
New shares issued for public subscription	191,034	—	—	191,034
Share issue expenses (note (b))	(29,119)	—	—	(29,119)
Transfer to statutory reserves	—	34,000	(34,000)	—
Net profit for the year	—	—	614,842	614,842
Interim dividend — note 10	—	—	(124,292)	(124,292)
Balance at 31 December 2001 and 1 January 2002 (as previously reported)	161,915	81,045	729,485	972,445
Prior year reclassification: Proposed final dividend — note 10	—	—	(106,386)	(106,386)
Balance at 31 December 2001 and 1 January 2002 (as reclassified)	161,915	81,045	623,099	866,059
Placement of shares	415,051	—	—	415,051
Share issue expenses (note (b))	(19,737)	—	—	(19,737)
Net profit for the year	—	—	822,758	822,758
Transfer to statutory reserves	—	4,000	(4,000)	—
Interim dividend — note 10	—	—	(157,532)	(157,532)
Proposed final dividend — note 10	—	—	(215,332)	(215,332)
Balance at 31 December 2002	557,229	85,045	1,068,993	1,711,267

22. RESERVES (Continued)

Company

	Share premium account RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
Balance at 1 January 2001	—	—	—
Net profit for the year	—	128,565	128,565
New shares issued for public subscription	191,034	—	191,034
Share issue expenses (note (b))	(29,119)	—	(29,119)
Interim dividend — note 10	—	(124,292)	(124,292)
Balance at 31 December 2001 and 1 January 2002 (as previously reported)	161,915	4,273	166,188
Prior year reclassification:			
Proposed final dividend — note 10	—	(106,386)	(106,386)
Balance at 31 December 2001 and 1 January 2002 (as reclassified)	161,915	(102,113)	59,802
Placement of shares	415,051	—	415,051
Share issue expenses (note (b))	(19,737)	—	(19,737)
Net profit for the year	—	259,696	259,696
Interim dividend — note 10	—	(157,532)	(157,532)
Proposed final dividend — note 10	—	(215,332)	(215,332)
Balance at 31 December 2002	557,229	(215,281)	341,948

Notes:

(a) In accordance with relevant PRC regulations, Linyi Xincheng, Linyi Minsheng, Xiangtan Jinluo, Tongliao Jinluo, Daqing Jinluo and Meishan Jinluo, being WOFEs established in the PRC, are required to appropriate not less than 10% of their profits after tax to the respective statutory reserves, until the respective balances of the fund reach 50% of the respective registered capitals. Subject to certain restrictions as set out in the relevant PRC regulations, their statutory reserves may be used to offset against their respective accumulated losses, if any.

(b) The share issue expenses of the Group and of the Company included professional service fees of approximately RMB0.2 million (2001: RMB5.4 million) paid to auditors in connection with the issue of the Company's shares to the public.

23. SEGMENT INFORMATION

The Group's operating businesses are organised and managed separately according to the nature of products, with each segment representing a strategic business segment that offers different products in the PRC market. The fresh and frozen meat products segment carries out the business of pig slaughtering and the sale of fresh and frozen meat products. The processed meat products segment manufactures and distributes processed meat products, such as regular sausages and honey-baked ham.

All of the Group's revenue, expenses, results, assets and liabilities and capital expenditure are attributable to a single geographical region, which is the PRC.

23. SEGMENT INFORMATION (Continued)

For the financial year ended 31 December 2002

	Fresh and frozen meat products RMB'000	Processed meat products RMB'000	Consolidated RMB'000
Segment revenue	3,169,323	1,887,440	5,056,763
Segment net profit	595,117	457,906	1,053,023
Unallocated corporate expenses			(94,494)
Interest income			11,147
Profit from operating activities			969,676
Finance costs			(13,035)
Profit before tax			956,641
Tax			(133,883)
Net profit from ordinary activities attributable to shareholders			822,758
As at 31 December 2002			
Segment assets	1,193,925	820,694	2,014,619
Unallocated corporate assets			944,043
Consolidated total assets			2,958,662
Segment liabilities	63,216	72,723	135,939
Unallocated corporate liabilities			292,781
Consolidated total liabilities			428,720
Capital expenditure	320,450	179,740	500,190
Depreciation	47,325	49,859	97,184
Non-cash expenses	1,928	1,472	3,400

23. SEGMENT INFORMATION (Continued)

For the financial year ended 31 December 2001

	Fresh and frozen meat products RMB'000	Processed meat products RMB'000	Consolidated RMB'000
Segment revenue	2,718,396	1,518,484	4,236,880
Segment net profit	439,084	379,890	818,974
Unallocated corporate expenses			(58,535)
Interest income			8,138
Profit from operating activities			768,577
Finance costs			(14,459)
Profit before tax			754,118
Tax			(139,276)
Net profit from ordinary activities attributable to shareholders			614,842
As at 31 December 2001			
Segment assets	886,886	525,458	1,412,344
Unallocated corporate assets			477,364
Consolidated total assets			1,889,708
Segment liabilities	46,338	19,860	66,198
Unallocated corporate liabilities			290,122
Consolidated total liabilities			356,320
Capital expenditure	76,919	183,567	260,486
Depreciation	38,471	41,260	79,731
Non-cash expenses	2,567	1,433	4,000

24. COMMITMENTS

At the balance sheet date, the Group had the following outstanding commitments:

	2002 RMB'000	2001 RMB'000
(a) Contracted capital commitments in respect of acquisition of fixed assets	**30,338**	25,886
(b) Contracted investment commitment in a subsidiary established in the PRC	**—**	15,444

(c) On 9 July 2002, the Group signed a non-binding letter of intent with a third party to acquire the production plant and machinery, the land use rights and properties (the "Heilongjiang Plant") situated in the Heilongjiang Province, the PRC. The capital commitment for the acquisition and related renovations of the Heilongjiang Plant not contracted for was estimated by the directors of the Company at approximately RMB236 million.

(d) Operating lease commitments:

	2002 RMB'000	2001 RMB'000
Total future minimum lease payments under non-cancellable operating leases for land and buildings are as follows:		
Not later than one year	**2,237**	11,755
Later than one year but not later than five years	**358**	2,171
	2,595	13,926

The Group leases certain of its land and buildings under operating lease arrangements. Leases for land and buildings are negotiated for the terms ranging from one to two years (2001: one to four years).

25. FINANCIAL INSTRUMENTS

At 31 December 2002, the Group's financial instruments mainly consisted of cash and bank balances, trade debtors, other receivables, trade creditors, other creditors and bank loans.

Financial risk management objectives and policies

The Group is exposed to market risk, including primarily changes in interest rates and currency exchange rates.

25. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group introduces conservative strategies on its risks management. As the Group's exposure to the market risk is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

(a) *Interest rate risk*

The interest rates and terms of repayment of the Group's bank loans are disclosed in note 20.

(b) *Credit risks*

The Group's cash and cash equivalents are mainly deposited with PRC banks.

The carrying amounts of trade debtors and other receivables included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets. No other financial assets carry a significant exposure to credit risk. The Group has no significant concentration of credit risk.

(c) *Fair values*

The fair values of cash and bank balances, trade debtors, other receivables, trade creditors, other creditors and bank loans are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

26. RELATED PARTIES

The Company's ultimate holding company was owned by the directors of the Company as to 65% by Mr. Ming Kam Sing, 25% by Mr. Zhou Lian Kui and 10% by Mr. Zhou Lian Liang. The particulars of the Company's ultimate holding company are set out in note 1 to the financial statements. Other than the foregoing and the subsidiaries of the Company, the particulars of which are set out in note 12 to the financial statements, there were no other principal related party relations where control over financial and operating policies of the subject entity existed as at the balance sheet date.

27. POST BALANCE SHEET EVENTS

Subsequent to 31 December 2002, the following events occurred:

(a) On 22 January 2003, Linyi Xincheng entered into a lease agreement with Shangqiu Fuguan Food Enterprise Group Company Limited, an independent third party to the Group, for a term of five years between 8 February 2003 to 7 February 2008. The lease includes meat slaughtering lines, cold storage facilities and equipment, all existing production equipment; staff premises and office buildings located at Shangqiu City, the Henan Province, the PRC. The annual rental payment was estimated by the Company's directors at approximately RMB5,800,000.

(b) On 23 January 2003, Linyi Xincheng entered into a co-operative agreement with the XingLong Forestry Bureau of the Heilongjiang Province (the "Heilongjiang Bureau"). Pursuant to the terms of the agreement, the Heilongjiang Bureau will inject an amount of RMB45,000,000 to build a meat production plant at Xin Long Town, BaYan County, the Heilongjiang Province, the PRC and will install related facilities. Linyi Xincheng will invest no less than an amount of RMB11,000,000 on related equipment and will install these equipment within a period of two months after the completion of the building of the production plant by the Heilongjiang Bureau (the "Completion Date").

After the Completion Date, Linyi Xincheng will rent the meat production plant from the Heilongjiang Bureau for an initial term of 20 years commencing from the Completion Date, at a fixed annual rent payment of RMB4,180,000. Linyi Xincheng will have the sole rights of operation and the Heilongjiang Bureau does not have any interest in the business operated by Linyi Xincheng and profits arising therefrom.

(c) Pursuant to a board resolution passed on 18 March 2003, a final dividend of RMB0.190 per ordinary share, amounting to approximately RMB215,332,000, was proposed by the Company and will be submitted for formal approval at the forthcoming annual general meeting.

28. COMPARATIVE AMOUNTS

As further explained in note 10 to the financial statements, due to the adoption of alternative disclosure requirements of proposed final dividend under IAS 1, certain comparative amounts have been reclassified to conform with the current year's presentation.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 March 2003.