

# Notes to Condensed Financial Statements

*Six months period ended 30 June 2003*

## **1. Basis of preparation**

The unaudited condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim financial reporting" and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## **2. Accounting Policies**

The unaudited condensed financial statements have been prepared under the historical cost convention. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2002.

## **3. Turnover and Segment information**

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 People's Republic of China ("PRC").

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 processed meat products segment manufactures and distributes processed meat products such as regular sausages and honey-baked ham. The fresh and frozen meat products segment carries out the business of pig slaughtering and the sale of fresh and frozen meat products.

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Six months period ended 30 June 2003

## 3. Turnover and Segment information (Continued)

For the six months ended 30 June 2003

	<i>Fresh and frozen meat products (Unaudited) RMB'000</i>	<i>Processed meat products (Unaudited) RMB'000</i>	<i>Consolidated (Unaudited) RMB'000</i>
Segment revenue	1,355,941	910,252	2,266,193
Segment profit	168,725	171,833	340,558
Unallocated corporate expenses			(53,629)
Interest income			5,737
Profit from operating activities			292,666
Finance costs			(6,369)
Profit before tax			286,297
Tax			(44,071)
Net profit attributable to shareholders			242,226

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Six months period ended 30 June 2003

## 3. Turnover and Segment information (Continued)

For the six months ended 30 June 2002

	Fresh and frozen meat products (Unaudited) RMB'000	Processed meat products (Unaudited) RMB'000	Consolidated (Unaudited) RMB'000
Segment revenue	1,552,532	852,737	2,405,269
Segment profit	289,879	205,719	495,598
Unallocated corporate expenses			(35,908)
Interest income			4,039
Profit from operating activities			463,729
Finance costs			(7,721)
Profit before tax			456,008
Tax			(63,446)
Net profit attributable to shareholders			392,562

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## 4. Profit from operating activities

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

	<i>Six months period ended 30 June 2003 (Unaudited) RMB'000</i>	Six months period ended 30 June 2002 (Unaudited) RMB'000
Depreciation	62,663	42,512
Research and development costs	2,542	6,278
Provision for doubtful debts	4,500	1,000
Interest income	(5,737)	(4,039)

## 5. Tax

	<i>Six months period ended 30 June 2003 (Unaudited) RMB'000</i>	Six months period ended 30 June 2002 (Unaudited) RMB'000
PRC	44,071	63,446

Hong Kong profit tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (2002: Nil).

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## 5. Tax (Continued)

In accordance with the various approval documents issued by the State Tax Bureau and the Local Tax Bureau of the PRC, the Group's operating subsidiaries Linyi Xincheng Jinluo Meat Products Co., Ltd ("Linyi Xincheng"), Linyi Minsheng Food Development Co., Ltd ("Linyi Minsheng"), Daqing Jinluo Meat Products Co., Ltd ("Daqing Jinluo"), Tongliao Jinluo Food Co., Ltd ("Tongliao Jinluo"), Xiangtan Jinluo Food Co., Ltd ("Xiangtan Jinluo"), and Meishan Jinluo Food Co., Ltd ("Meishan Jinluo"), are entitled to be exempted from the PRC state and local corporate income tax of the first two profitable financial years of their operations and thereafter to a 50% relief from the state corporate income tax of the PRC for the following three financial years ("Tax Holiday"). With effect from 1 January 2001, Linyi Xincheng was subject to corporate income tax of 33% on its taxable profit upon expiry of the Tax Holiday on 31 December 2000. With effect from 1 January 2003, Linyi Minsheng was subject to corporate income tax of 18% on its taxable profit upon expiry of the first two years' tax exemption of the Tax Holiday on 31 December 2002. Daqing Jinluo commenced its first year's tax exemption period from the financial year ended 31 December 2002. Tongliao Jinluo, Xiangtan Jinluo and Meishan Jinluo might commence their first years' tax exemption period from the financial year ending 31 December 2003.

## 6. Dividends

	<i>Six months period ended 30 June 2003 (Unaudited) RMB'000</i>	<i>Six months period ended 30 June 2002 (Unaudited) RMB'000</i>
Proposed interim dividends — RMB0.064 per share (2002: RMB0.139 per share)	<i>72,533</i>	<i>157,532</i>

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*Six months period ended 30 June 2003*

## 6. Dividends (Continued)

An interim dividend of RMB0.064 per ordinary share (2002: RMB0.139 per ordinary share), amounted to approximately RMB72,533,000 (2002: RMB157,532,000), has been declared by the Board, with the interim dividend payable on 8 October 2003 to shareholders on record as at 18 September 2003. Dividends are declared in RMB and will be converted into Singapore dollars or Hong Kong dollars before being paid to the shareholders (depending on where the shareholders' shares are traded). As such, this dividend has not been recognised as a liability as at 30 June 2003.

The amount of proposed interim dividend for the period is calculated based on 1,133,324,723 shares (2002: 1,133,324,723 shares) in issue as at the date of approval of these financial statements.

During the current period, a dividend of RMB0.190 per share (2002: RMB0.101 per share), amounting to a total of approximately RMB215,332,000 (2002: approximately RMB106,386,000) was paid to shareholders as the final dividend for the year ended 31 December 2002.

## 7. Earnings per share

	<i>Six months period ended 30 June 2003 (Unaudited)</i>	Six months period ended 30 June 2002 (Unaudited)
Basic	<i>RMB0.21</i>	RMB0.37
Diluted	<i>N/A</i>	N/A

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## 7. Earnings per share (Continued)

Basic earnings per share for the six months period ended 30 June 2003 are calculated based on the Group's net profit attributable to shareholders of approximately RMB242,226,000 (1H 2002: approximately RMB392,562,000) divided by the weighted average number of 1,133,324,723 ordinary shares of HK\$0.50 each (1H 2002: 1,053,324,723 ordinary shares of HK\$0.50 each) in issue during the period.

Diluted earnings per share for the six months period ended 30 June 2003 and 2002 have not been calculated as no diluting events existed during these periods.

## 8. Additions to Fixed Assets

During the current period, the Group acquired the fixed assets amounting to approximately RMB77,211,000 (year ended 31 December 2002: RMB500,190,000).

## 9. Trade Debtors

The ages of trade debtors are analysed as follows:

	30 June 2003 (Unaudited) RMB'000	31 December 2002 (Audited) RMB'000
Current-30 days	279,121	274,126
31-60 days	140,360	136,655
61-90 days	63,809	59,664
Over 90 days	35,562	35,172
	<u>518,852</u>	<u>505,617</u>
Less: Provision for doubtful debts	(29,900)	(25,400)
	<u>488,952</u>	<u>480,217</u>

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## 10. Trade Creditors

The ages of trade creditors are analysed as follows:

	30 June 2003 (Unaudited) RMB'000	31 December 2002 (Audited) RMB'000
Current—30 days	33,056	34,905
31-60 days	22,712	24,168
61-90 days	13,605	14,097
Over 90 days	3,009	3,569
	<hr/> 72,382	<hr/> 76,739

## 11. Interest-Bearing Bank Loans

The bank loans are unsecured, bear interest ranging from 5% to 8% (31 December 2002: 5% to 8%) per annum and repayable within one year.



# Notes to Condensed Financial Statements

Six months period ended 30 June 2003

## 12. Capital and Reserves

	Issued share capital (Unaudited) RMB'000 (Note 3)	Share premium account (Unaudited) RMB'000 (Note 2)	Statutory reserves (Unaudited) RMB'000 (Note 1, 2)	Retained profits (Unaudited) RMB'000 (Note 2)	Proposed dividends (Unaudited) RMB'000	Total (Unaudited) RMB'000
Balance at 1 January 2002 (as reclassified)	560,943	161,915	81,045	623,099	106,386	1,533,388
Dividend paid — 2001 Final	—	—	—	—	(106,386)	(106,386)
Net profit for the period	—	—	—	392,562	—	392,562
Proposed dividend — 2002 Interim	—	—	—	(157,532)	157,532	—
Balance at 30 June 2002	560,943	161,915	81,045	858,129	157,532	1,819,564
Balance at 1 January 2003	603,343	557,229	85,045	1,068,993	215,332	2,529,942
Dividend paid — 2002 Final	—	—	—	—	(215,332)	(215,332)
Transfer to statutory reserves	—	—	13,480	(13,480)	—	—
Net profit for the period	—	—	—	242,226	—	242,226
Proposed dividend — 2003 Interim	—	—	—	(72,533)	72,533	—
Balance at 30 June 2003	603,343	557,229	98,525	1,225,206	72,533	2,556,836

### Notes:

- In accordance with relevant PRC regulations, the Group's wholly owned subsidiaries: Linyi Xincheng, Linyi Minsheng, Tongliao Jinluo, Xiangtan Jinluo, Meishan Jinluo and Daqing Jinluo, being wholly foreign-owned enterprise 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.
- As at 30 June 2003, these consolidated reserve accounts comprised the consolidated reserves of approximately RMB1,880,960,000 in the condensed consolidated balance sheet.

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## 12. Capital and Reserves (Continued)

### 3. Share Capital

	30 June 2003 (Unaudited) RMB'000	30 June 2002 (Unaudited) RMB'000
Authorized:		
4,000,000,000 (2002: 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 (2002: 1,053,324,723) ordinary shares of HK\$0.50 each	603,343	560,943

## 13. Commitments

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

	30 June 2003 (Unaudited) RMB'000	31 December 2002 (Audited) RMB'000
(a) Contracted capital commitments in respect of acquisition of fixed assets	12,866	30,338

- (b) As at 30 June 2003, the Group's capital commitment not contracted for was estimated by the directors of the Company at approximately RMB236 million (31 December 2002: approximately RMB236 million), which related to the acquisition and related renovations of the production plant and machinery, the land use rights and properties situated in the Heilongjiang Province, the PRC.

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## 13. Commitments (Continued)

	30 June 2003 (Unaudited) RMB'000	31 December 2002 (Audited) RMB'000
(c) Operating lease commitments:		
Total future minimum lease payments under non-cancellable operating leases for land and buildings are as follows:		
Not later than one year	12,005	2,237
Later than one year and not later than five years	37,829	358
After five years	62,352	—
	112,186	2,595

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 1 to 20 years (31 December 2002: 1 to 2 years).

## 14. Related Parties

Maleque Limited, the Company's ultimate holding company, was owned by the executive 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. Other than the foregoing and the subsidiaries of the Company, there were no other principal related party relations where control over financial and operating policies of the subject entity exist as at the balance sheet date.