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.

On 14 March 2001, the Company's shares were 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 9,500 employees as at 31 December 2003 (2002: 8,900 employees).

The consolidated financial statements of the Company for the year ended 31 December 2003 were authorised for issue in accordance with a resolution of the directors passed on 23 February 2004.

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 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 principal companies in the Group.

Basis of consolidation

The consolidated financial statements for the year ended 31 December 2003 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 has been 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.

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, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation (Continued)

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.

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

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 a part.

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) that it would have been if impairment loss had not previously been recognised. Such reversals of impairment losses are credited to the profit and loss account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 benefit 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. 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 the 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 tax rates that have been enacted at the balance sheet date or substantively enacted.

Foreign currencies

The Group maintains its accounting records in RMB and transactions arising in foreign currencies are translated into RMB at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates 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 exchange rates 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 exchange rates 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 2002 and 2003, 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. 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 revenue is as follows:

	Group	
	2003	2002
	RMB'000	RMB'000
Revenue — Sale of goods	**4,900,202**	5,056,763
Interest income	**12,259**	11,147
Total revenue	**4,912,461**	5,067,910

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

The turnover of the Company for the years ended 31 December 2003 and 2002 represents dividend income from its subsidiaries and has been eliminated on consolidation.

4. PROFIT FROM OPERATING ACTIVITIES

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

	Group		Company	
	2003	2002	**2003**	2002
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cost of inventories sold	**3,965,458**	3,826,730	**—**	—
Depreciation	**130,423**	97,184	**—**	—
Operating lease rentals on land and buildings	**8,308**	4,555	**—**	—
Staff costs (excluding directors' remuneration (note 6))	**83,325**	63,845	**731**	650
Less: Retirement scheme contributions	**(4,280)**	(3,200)	**—**	—
Amount included in research and development costs below	**(3,399)**	(2,154)	**—**	—
	75,646	58,491	**731**	650
Retirement scheme contributions	**4,280**	3,200	**—**	—
Research and development costs	**9,779**	8,945	**—**	—
Provision for doubtful debts	**1,900**	3,400	**—**	—
Loss on disposal of fixed assets	**6,385**	—	**—**	—
Professional expenses (note)	**3,944**	16,694	**1,188**	14,194
Interest income	**(12,259)**	(11,147)	**—**	(61)

Note: For the year ended 31 December 2003, the professional expenses of the Group included auditors' remuneration of approximately RMB2.7 million for the year. For the year ended 31 December 2002, the professional expenses of the Group included auditors' remuneration of approximately RMB2.5 million for the year and the professional service fees of approximately RMB4.3 million paid to the auditors in connection with the listing of the Company's shares on the HKSE.

For the year ended 31 December 2003, the professional expenses of the Company did not include any amount paid to the auditors. For the year ended 31 December 2002, the professional expenses of the Company included professional service fees of approximately RMB4.3 million paid to the auditors in connection with the listing of the Company's shares on the HKSE.

Save as disclosed above, no other fees were paid to the auditors by the Group and the Company during the year (2002: Nil).

5. FINANCE COSTS

	Group		Company	
	2003	2002	**2003**	2002
	RMB'000	RMB'000	**RMB'000**	RMB'000
Interest expenses on bank loans, wholly repayable within five years	**12,622**	13,035	**—**	—

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	
	2003	2002
	RMB'000	RMB'000
Fees	**731**	419
Other emoluments:		
Salaries, allowances and benefits in kind	**6,360**	6,360
Performance related bonuses	**—**	—
Pension scheme contributions	**—**	—
	6,360	6,360
	7,091	6,779

Fees include approximately RMB731,000 (2002: RMB419,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2002: 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 three 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)	—	3	3
S$250,000 to below S$500,000 (equivalent to approximately RMB1,210,000 to below approximately RMB2,420,000)	3	—	3
	3	3	6

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2002: three) directors, details of whose remuneration are set out in note 6 above. Details of the remuneration of the remaining two (2002: two) non-director, highest paid employees are as follows:

	Group	
	2003 RMB'000	2002 RMB'000
Salaries, allowances and benefits in kind	**1,665**	1,494
Performance related bonuses	**—**	—
Pension scheme contributions	**25**	26
	1,690	1,520

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	
	2003	2002
	RMB'000	RMB'000
PRC	**98,071**	133,883

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2002: 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"), 通遼金鑼食品有限責任公司 ("Tongliao Jinluo"), 眉山市金鑼食品有限公司 ("Meishan Jinluo") and 齊齊哈爾金鑼肉製品有限公司 ("Qiqihaer 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"). 湘潭金鑼肉食製品有限公司 ("Xiangtan Jinluo") another wholly-owned subsidiary of the Company established as a WOFE in the PRC, is 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 six financial years (the "Tax Relief"). Upon expiry of the Tax Holiday and the Tax Relief, 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 (2002: 33%).

Upon expiry of two years' tax exemption periods in the financial year ended 31 December 2002, Linyi Minsheng is subject to the reduced tax rate of 18% for the three financial years from 1 January 2003 to 31 December 2005.

The two years' tax exemption periods for Daqing Jinluo has commenced in the financial year ended 31 December 2002 under local jurisdiction.

The two years' tax exemption periods for Tongliao Jinluo, Meishan Jinluo and Xiangtan Jinluo have commenced in the financial year ended 31 December 2003 under local jurisdiction.

The two years' tax exemption periods for Qiqihaer Jinluo has not yet commenced during the year as it did not generate any net assessable profits attributable to its operations in the PRC during the year.

8. TAX (Continued)

Tax has not been provided by the Company as the Company did not derive any assessable profits during the year (2002: 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.

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

	Group	
	2003	2002
	RMB'000	RMB'000
Profit before tax	**650,128**	956,641
Tax at the applicable tax rate of 33%	**214,542**	315,692
Non-taxable and non-deductible items and others, net	**(287)**	4,050
Tax Holiday/Tax Relief of certain WOFEs of the Group	**(116,184)**	(185,859)
Actual PRC corporate income tax	**98,071**	133,883

9. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2003 dealt with in the financial statements of the Company was approximately RMB289,313,000 (2002: RMB259,696,000).

10. DIVIDENDS

	Group		Company	
	2003	2002	**2003**	2002
	RMB'000	RMB'000	**RMB'000**	RMB'000
The Company				
Proposed final dividend				
— RMB0.082 per ordinary share				
(2002: RMB0.190 per ordinary share)	**92,933**	215,332	**92,933**	215,332
Interim dividend				
— RMB0.064 per ordinary share				
(2002: RMB0.139 per ordinary share)	**72,533**	157,532	**72,533**	157,532
	165,466	372,864	**165,466**	372,864

A final dividend of RMB0.082 per ordinary share (2002: RMB0.190 per ordinary share), amounting to approximately RMB92,933,000 (2002: RMB215,332,000), has been proposed and will be submitted for formal approval at the forthcoming annual general meeting. As such, the final dividend has not been recognised as a liability as at the balance sheet date.

The amount of proposed final dividend for the year 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. The proposed final dividend for the year is subject to the final approval of the Company's shareholders at the forthcoming annual general meeting.

11. EARNINGS PER SHARE

Basic earnings per share is calculated based on the Group's net profit attributable to shareholders of approximately RMB552,057,000 (2002: approximately RMB822,758,000) divided by the weighted average number of 1,133,324,723 ordinary shares of HK$0.50 each (2002: 1,088,612,394 ordinary shares of HK$0.50 each) in issue during the financial year.

Diluted earnings per share for the years ended 31 December 2003 and 2002 have not been calculated as no diluting events existed during these years.

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2003	2002
	RMB'000	RMB'000
Unlisted shares, at cost	**497,043**	497,043

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

12. INVESTMENTS IN SUBSIDIARIES (Continued)

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		Principal activities
			Direct	Indirect	
Loampit Limited*	British Virgin Islands	US$200	100	—	Investment holding
Champ Base Limited*	Hong Kong	HK$100	—	100	Investment holding
Linyi Xincheng* (Note (a))	PRC	US$26,520,000	—	100	Manufacture and sale of meat products
Linyi Minsheng* (Note (b))	PRC	US$15,000,000	—	100	Manufacture and sale of meat products
Xiangtan Jinluo* (Note (c))	PRC	US$1,800,000	—	100	Manufacture and sale of meat products
Tongliao Jinluo* (Note (d))	PRC	US$2,200,000	—	100	Manufacture and sale of meat products
Daqing Jinluo* (Note (e))	PRC	US$9,000,000	—	100	Manufacture and sale of meat products
Meishan Jinluo* (Note (f))	PRC	RMB55,320,000	—	100	Manufacture and sale of meat products
Qiqihaer Jinluo* (Note (g))	PRC	US$4,800,000	—	100	Manufacture 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 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.

(g) Qiqihaer 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 18 September 2003, 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		Construction in progress		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	**2003 RMB'000**	2002 RMB'000	**2003 RMB'000**	2002 RMB'000
Cost:														
At 1 January	**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
Additions	**—**	214,509	**—**	41,903	**207,316**	238,082	**3,883**	3,916	**1,054**	1,780	**274,522**	—	**486,775**	500,190
Disposals	**—**	—	**(952)**	—	**(8,973)**	—	**(375)**	—	**(599)**	—	**—**	—	**(10,899)**	—
Transfers	**22,714**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(22,714)**	—	**—**	—
At 31 December	**327,640**	304,926	**299,643**	300,595	**941,343**	743,000	**15,485**	11,977	**14,365**	13,910	**251,808**	—	**1,850,284**	1,374,408
Accumulated depreciation:														
At 1 January	**16,527**	9,833	**133,662**	105,196	**188,095**	129,717	**5,153**	3,084	**10,127**	8,550	**—**	—	**353,564**	256,380
Provided during the year	**8,964**	6,694	**30,401**	28,466	**86,389**	58,378	**2,817**	2,069	**1,852**	1,577	**—**	—	**130,423**	97,184
Written back on disposals	**—**	—	**(650)**	—	**(2,917)**	—	**(359)**	—	**(588)**	—	**—**	—	**(4,514)**	—
At 31 December	**25,491**	16,527	**163,413**	133,662	**271,567**	188,095	**7,611**	5,153	**11,391**	10,127	**—**	—	**479,473**	353,564
Net book value	**302,149**	288,399	**136,230**	166,933	**669,776**	554,905	**7,874**	6,824	**2,974**	3,783	**251,808**	—	**1,370,811**	1,020,844

13. FIXED ASSETS (Continued)

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 did not obtain 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. These leasehold land and buildings were acquired by the Group during the year ended 31 December 2002. As confirmed by the Group's legal advisors, the Group obtained the right to use the land and its leasehold 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. During the year ended 31 December 2003, the relevant land use rights certificates were obtained by the Group.

As at 31 December 2003, the leasehold land and buildings include certain buildings at the net book value of approximately RMB88 million for which the Group is still in the process of obtaining the building ownership certificates. These buildings are erected on the lands in which the relevant land use rights certificates have been obtained by the Group. As confirmed by the Group's legal advisors, the Group has obtained the right to use these buildings. Once the Group has obtained all relevant certificates, the Group has the right to assign, lease or mortgage these buildings.

14. DEPOSITS

The amount represented the Group's deposits paid for the acquisition of fixed assets and a production plant in Qiqihaer, Heilongjiang Province, the PRC (note 24(b)) as at 31 December 2003.

15. INVENTORIES

	Group	
	2003	2002
	RMB'000	RMB'000
Raw materials	**39,666**	50,850
Finished goods	**301,233**	384,998
	340,899	435,848

No significant amounts of inventories included in the above amount were carried at net realisable value as at 31 December 2003 (2002: Nil).

16. TRADE DEBTORS

	Group 2003 RMB'000	2002 RMB'000
Trade debtors	**535,238**	505,617
Less: Provision for doubtful debts	**(27,300)**	(25,400)
	507,938	480,217

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

	Group 2003 RMB'000	2002 RMB'000
At 1 January	**25,400**	22,000
Provision during the year	**1,900**	3,400
At 31 December	**27,300**	25,400

The Group normally allows credit terms to its trade customers ranging from 30 to 60 days (2002: 30 to 60 days).

An aged analysis of the Group's trade debtors as at the balance sheet date is as follows:

	Group 2003 RMB'000	2002 RMB'000
Current–30 days	**330,212**	274,126
31–60 days	**127,997**	136,655
61–90 days	**51,697**	59,664
Over 90 days	**25,332**	35,172
	535,238	505,617

17. CASH AND BANK BALANCES

As at 31 December 2003, the Group had cash and bank balances deposited in the banks in the PRC denominated in RMB amounted to approximately RMB170,876,000 (2002: RMB267,247,000). 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 as at the balance sheet date is as follows:

	Group	
	2003 RMB'000	2002 RMB'000
Current–30 days	**57,556**	34,905
31–60 days	**14,729**	24,168
61–90 days	**2,700**	14,097
Over 90 days	**—**	3,569
	74,985	76,739

19. ACCRUALS AND OTHER CREDITORS

	Group		Company	
	2003 RMB'000	2002 RMB'000	**2003 RMB'000**	2002 RMB'000
Accruals	**55,359**	53,555	**625**	—
Other creditors	**44,358**	68,507	**—**	2,294
	99,717	122,062	**625**	2,294

20. INTEREST-BEARING BANK LOANS

The Group's bank loans are unsecured, bear interest ranging from 5% to 6% (2002: 5% to 8%) per annum and repayable within one year.

21. SHARE CAPITAL

	Company 2003 RMB'000	Company 2002 RMB'000
Authorised:		
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: 1,133,324,723) ordinary shares of HK$0.50 each	**603,343**	603,343

	Number of ordinary shares of HK$0.50 each	Par value RMB'000
Balance at 1 January 2002	1,053,324,723	560,943
Placing of shares to the public (note)	80,000,000	42,400
Balance at 31 December 2002, 1 January 2003 and 31 December 2003	1,133,324,723	603,343

Note: 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. STATUTORY RESERVES

In accordance with relevant PRC regulations, Linyi Xincheng, Linyi Minsheng, Daqing Jinluo, Tongliao Jinluo, Meishan Jinluo, Qiqihaer Jinluo and Xiangtan 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.

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 expenditures are attributable to a single geographical region, which is the PRC.

23. SEGMENT INFORMATION (Continued)

For the financial year ended 31 December 2003

	Fresh and frozen meat products	Processed meat products	Consolidated
	RMB'000	RMB'000	RMB'000
Segment revenue	2,990,477	1,909,725	4,900,202
Segment net profit	388,458	381,989	770,447
Unallocated corporate expenses			(119,956)
Interest income			12,259
Profit from operating activities			662,750
Finance costs			(12,622)
Profit before tax			650,128
Tax			(98,071)
Net profit from ordinary activities attributable to shareholders			552,057
As at 31 December 2003			
Segment assets	1,249,315	915,629	2,164,944
Unallocated corporate assets			1,037,892
Consolidated total assets			3,202,836
Segment liabilities	39,676	73,722	113,398
Unallocated corporate liabilities			295,304
Consolidated total liabilities			408,702
Capital expenditure	131,331	355,444	486,775
Depreciation	59,979	70,444	130,423
Non-cash expenses	1,927	(27)	1,900

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

24. COMMITMENTS

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

		2003 RMB'000	2002 RMB'000
(a)	Capital commitments:		
	Contracted, but not provided for:		
	Buildings	**71,611**	—
	Plant and machinery	**19,033**	30,338
		90,644	30,338
	Authorised, but not contracted for in respect of the acquisition of fixed assets	**104,235**	236,000
		194,879	266,338

(b) On 25 November 2003, the Group entered into an acquisition agreement with an independent third party in relation to an acquisition of a production plant in Qiqihaer, Heilongjiang Province, the PRC (the "Qiqihaer Acquisition Agreement"). Subsequent to the balance sheet date, the acquisition was completed on 15 February 2004. The consideration of the Qiqihaer Acquisition Agreement is approximately RMB98,145,000 which was determined based on the directors' opinion of the current market situation and the expected returns of the assets acquired. Pursuant to the terms of the Qiqihaer Acquisition Agreement, part of the consideration amounting to RMB50 million was paid as deposit (note 14). Therefore, the remaining capital commitment for the acquisition of the production plant in Qiqihaer is RMB48,145,000 as at the balance sheet date.

(c) Operating lease commitments:

Total future minimum lease payments under non-cancellable operating leases for land and buildings are as follows:

	2003 RMB'000	2002 RMB'000
Within one year	**7,690**	2,237
In the second to fifth years, inclusive	**28,923**	358
After five years	**65,708**	—
	102,321	2,595

24. COMMITMENTS (Continued)

(c) Operating lease commitments: (Continued)

The Group leases certain of land and buildings under operating lease arrangements. Leases for land and buildings are negotiated for the terms ranging from one to twenty years (2002: one to two years). In addition, the Group has operating lease commitments for a term of five years with rentals determined in relation to the number of pigs slaughtered. During the year, the Group recognised approximately RMB1.2 million (2002: Nil) in respect of contingent rental expenses under that lease.

The Company did not have any significant commitments as at 31 December 2003 (2002: Nil).

25. FINANCIAL INSTRUMENTS

At 31 December 2003, 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 change in interest rates and currency exchange rates.

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.

25. FINANCIAL INSTRUMENTS (Continued)

(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

Maleque Limited, the substantial shareholder of the 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. Maleque Limited is a company incorporated in the British Virgin Islands. 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

In addition to those disclosed elsewhere in the financial statements, the Group had the following significant post balance sheet events:

(a) Pursuant to a board resolution passed on 23 February 2004, a final dividend of RMB0.082 per ordinary share, amounting to approximately RMB92,933,000, was proposed by the Company and will be submitted for formal approval at the forthcoming annual general meeting.

(b) On 6 January 2004, 德州金鑼肉製品有限公司 ("Dezhou Jinluo") was established as a WOFE in the PRC by the Group with the registered capital of US$5,000,000. Dezhou Jinluo has an operating period of 20 years commencing from the date of issuance of its business license on 6 January 2004. The entire registered capital of Dezhou Jinluo was paid up in full on 13 January 2004.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 February 2004.