

INDEBTEDNESS

Borrowings

At the close of business on 31 March 2003, being the latest practicable date for the purpose of preparing the indebtedness statement prior to the printing of this prospectus, the Group had outstanding bank borrowings of RMB48.5 million which were guaranteed by 福建福銘食品有限公司 (Fujian Fuming Food Co., Ltd.), a company indirectly held as to 50% by a brother of Mr. Yang, who is also the chairman of that company, unsecured borrowings of approximately RMB1.2 million and bills payable of approximately RMB2.2 million.

Contingent liabilities

As at 31 March 2003, the Group did not have any material contingent liabilities.

Security

As at 31 March 2003, the Group's total available banking facilities of approximately RMB50.7 million were secured by the following:

- (i) as to approximately RMB2.2 million, by the Group's bank deposits totalling approximately RMB0.6 million; and
- (ii) as to RMB48.5 million, by corporate guarantees provided by 福建福銘食品有限公司 (Fujian Fuming Food Co., Ltd.), a company indirectly held as to 50% by a brother of Mr. Yang, who is also the chairman of that company.

Release from guarantees

The Group has obtained consent, in principle, from the relevant banks that the guarantees as stated in (ii) above will be released and replaced by corporate guarantees from the Company shortly after the listing of the Shares on the Stock Exchange.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 March 2003 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance lease commitments, hire purchases commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there has been no material change in the indebtedness or contingent liabilities of the Group since 31 March 2003.

FINANCIAL INFORMATION

DISCLOSURE UNDER PRACTICE NOTE 19 TO THE LISTING RULES

The Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Practice Note 19 to the Listing Rules.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net current assets

At the close of business on 31 March 2003, being the latest practicable date for the purpose of preparing the financial information prior to the printing of this prospectus, the Group had net current assets of approximately RMB70.2 million. The current assets comprised cash on hand and at banks of approximately RMB95.1 million, inventories of approximately RMB10.7 million, trade receivables of approximately RMB61.8 million, and other receivables, deposits and prepayments of approximately RMB5.3 million. The current liabilities of the Group comprised bank loans of approximately RMB41.5 million, unsecured borrowings of approximately RMB1.2 million, bills payable of approximately RMB2.2 million, trade payables of approximately RMB5.9 million, receipt in advance, other payables and accrued charges of approximately RMB11.3 million, amount due to a director of approximately RMB3.9 million, taxation payable of approximately RMB6.7 million and dividend payable of approximately RMB30.0 million. The Directors have confirmed that the amount due to a director of approximately RMB3.9 million will be repaid by the Group shortly after listing.

FINANCIAL INFORMATION

TRADING RECORD

Set out below is a summary of the audited combined results of the Group for each of the three years ended 31 December 2002 which has been prepared on the basis that the current structure of the Group had been in place throughout the Track Record Period. This summary should be read in conjunction with the accountants' report set out in Appendix I to this prospectus:

	<i>Notes</i>	Year ended 31 December		
		2000	2001	2002
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	1	117,604	161,695	262,506
Cost of sales		<u>(78,220)</u>	<u>(111,851)</u>	<u>(162,356)</u>
Gross profit		39,384	49,844	100,150
Other operating income		352	491	1,398
Bad and doubtful debts		3,803	443	53
Selling expenses		(4,046)	(4,697)	(7,170)
Administrative expenses		<u>(2,642)</u>	<u>(3,429)</u>	<u>(3,886)</u>
Profit from operations		36,851	42,652	90,545
Finance costs		<u>(3,383)</u>	<u>(3,435)</u>	<u>(3,265)</u>
Profit before taxation		33,468	39,217	87,280
Taxation		<u>(3,552)</u>	<u>(4,730)</u>	<u>(11,320)</u>
Net profit for the year		<u>29,916</u>	<u>34,487</u>	<u>75,960</u>
Dividends		<u>19,536</u>	<u>25,965</u>	<u>30,000</u>
Earnings per Share — basic (<i>RMB</i>)	2	<u>0.100</u>	<u>0.115</u>	<u>0.253</u>

Notes:

1. Turnover represents the net amounts received and receivable for goods sold and services rendered.
2. The calculation of earnings per Share is based on the profit attributable to shareholders during the Track Record Period and 300,000,000 Shares in issue and issuable, assuming the allotment and issue of the Shares under the Capitalisation Issue have been completed throughout the Track Record Period.

FINANCIAL INFORMATION

MANAGEMENT DISCUSSIONS AND ANALYSES

Overview

The Group mainly derives its revenue from the sale of tinplate cans as well as the provision of tinplate lacquering and printing services. Turnover derived from the sale of tinplate cans were approximately 97.8%, 84.7% and 83.3% for the Track Record Period, while turnover contributed by tinplate lacquering and printing services was approximately 2.2%, 15.3% and 16.7% for the same period.

The cost of sales of the Group mainly comprises four major components: i) raw material costs, such as tinplate, easy-opening ends, ink and lacquer; ii) direct labour costs; iii) depreciation charges for production equipment; and iv) other production overheads, such as indirect labour costs, consumable materials, electricity and water.

Set out below is the turnover, gross profit margin, and net profit margin of the Group during the Track Record Period and the Directors' explanation and analyses on the reasons for the increase in turnover and profit of the Group and the fluctuations of the gross profit margin and net profit margin:

	2000	2001	2002
	RMB'000	RMB'000	RMB'000
Turnover			
Sale of tinplate cans	115,002	137,036	218,711
Tinplate lacquering and printing	2,602	24,659	43,795
Gross profit margin			
Overall	33.5%	30.8%	38.2%
Sale of tinplate cans	33.5%	28.1%	35.5%
Tinplate lacquering and printing	33.7%	45.8%	51.4%
Net profit margin	25.4%	21.3%	28.9%

Turnover

Sale of tinplate cans

The Group's turnover from the sale of tinplate cans increased from approximately RMB115.0 million to approximately RMB218.7 million during the Track Record Period. The increase was mainly attributable to the following reasons:

- (i) the increase in consumption of beverages in the PRC (as stated in the "Industry Overview" section of this prospectus) further fueled the growth of the Group's sale of tinplate cans. In particular, some of the Group's major customers which are beverage producers in the PRC have made large repeat orders during the Track Record Period. Turnover derived from

FINANCIAL INFORMATION

the sale of tinplate cans to ten of the major food and beverage producer customers of the Group amounted to approximately RMB39.3 million, RMB78.4 million and RMB150.4 million for the three years ended 31 December 2002 respectively. This represents increases in sales to these customers of approximately 99.4% and 91.9% for the two years ended 31 December 2002 respectively;

- (ii) the Group's gradual expansion of its range of tinplate cans for beverages from 7 dimensions to 15 dimensions during the Track Record Period, thereby allowing the Group to capture different customers' requirements and to increase the Group's source of revenue as set out below:

For the year ended	Increase in the range of tinplate cans for beverages	Increase in turnover as a result of the increase in the range of tinplate cans for beverages <i>RMB</i>
31 December 2001	2 new dimensions including model no. #200/130g and #209/420g	689,000
31 December 2002	6 new dimensions including model no. #202/240g, #206/300g, #206/350g #209/250g, #209/280g and #209/360g	1,134,000

- (iii) the Group's introduction of tinplate cans for food in July 2002 (as opposed to tinplate cans for beverages) which generated a higher gross profit margin of approximately 43% for the Group and contributed approximately RMB57.5 million to the Group's turnover for the year, capitalising on the growing market for canned food in the PRC and the existing business relationships with some of its customers which also produce canned food. The Group was successful in marketing its tinplate cans for food to its then existing customers, 福建台福食品有限公司 (Fujian Taifu Food Co., Ltd.) ("Taifu") and 晉江羅山味力食品有限公司 (Jinjiang Luoshan Weili Food Co., Ltd.) ("Jinjiang"). Taifu and Jinjiang purchased an aggregate of approximately RMB44.9 million of tinplate cans for food from the Group during the period. The Directors have confirmed that all of the tinplate cans manufactured by the Group prior to July 2002 were for packaging of beverages;

- (iv) the Directors are of the view that there was an increasing demand for canned vegetables in the PRC in recent years. With the Group's commitment to its stringent controls for product quality and its prompt delivery, the Group was able to maintain a steady source of supply to its major customers such as Taifu and Jinjiang. The Directors believe that these customers are willing to pay higher prices for the Group's tinplate cans for food given the prospects of the market for canned vegetables in recent years; and

FINANCIAL INFORMATION

- (v) the lease of the production plant in Shanxi Province, the PRC to expand the Group's production capacities in August 2002 which increased the Group's production capacities for tinsplate can production and tinsplate lacquering and printing by approximately 177 million cans per annum and 14,520 tonnes of tinsplate per annum respectively and contributed approximately RMB17.0 million to the Group's turnover for the same year. The Group's expansion of production facilities in Shanxi Province, the PRC enabled the Group to capture more sales in the northern and western regions in the PRC as it is strategically located to serve existing clients of the Group in surrounding provinces such as Xinjiang, Gansu, Shaanxi and Inner Mongolia. The Group was able to deliver its products to customers in these regions within 5 days as compared to around 10 days (for products manufactured by the Group's production facilities in the Fujian Province) which has resulted in more orders from existing customers in these regions.

Tinsplate lacquering and printing

The Group's turnover derived from the provision of tinsplate lacquering and printing services increased from approximately RMB2.6 million to approximately RMB43.8 million during the Track Record Period. The increase was mainly attributable to the following factors:

- (i) the growing reliance of food and beverage producers on high quality artwork in marketing their products allowed the Group to increase its turnover through the provision of high quality tinsplate lacquering and printing services to those metal container producers in the PRC without the capabilities to print high quality artwork for their customers. The Group expanded its customer base of metal container producers from 11 customers to 21 customers and increased its actual processing quantities from approximately 1,275 tonnes per annum to approximately 18,400 tonnes per annum during the Track Record Period;
- (ii) the growth of the Group's major metal container producer customers led to their increase in demand for the Group's tinsplate lacquering and printing services. The Group obtained more orders for the Group's services from some of these customers due to the rise in their exports to the US. For instance, one of the major customers' orders for the Group's tinsplate lacquering and printing services increased from 150,000 to 1,700,000 sheets of tinsplate, representing an increase of over 11 times during the Track Record Period. Turnover derived from tinsplate lacquering and printing services by five major metal container producer customers of the Group increased by approximately 494.1% and 54.2% respectively for the two years ended 31 December 2002; and
- (iii) one of the Group's production lines for printing tinsplates in its production plant in Fujian Province, the PRC have the capacity to bake over 1,000 sheets of tinsplate at the same time and to mix up to 7 colours on one sheet, thereby capturing the growing demand for tinsplate lacquering and printing services. In addition, the Group's acquisition of the bar code testing machine in April 1998 for checking the accuracy of bar codes printed on tinsplate and the control of the accuracy of the printed bar codes also contributed to the increase in the demand for the Group's services, as some of the Group's major customers export a significant portion of their products to overseas markets where bar codes are essential for retailers to complete a sales transaction. The Directors estimate that approximately 90%, 94% and 98% of the tinsplate cans sold by the Group during each of the Track Record Period had bar codes printed on the surfaces.

Gross profit margin

Sale of tinplate cans

The Group's gross profit margin from the sale of tinplate cans decreased from approximately 33.5% to approximately 28.1% for the year ended 31 December 2001 but increased to approximately 35.5% for the year ended 31 December 2002. The fluctuations of the Group's gross profit margin are explained as follows:

- (i) The decrease in gross profit margin for the year ended 31 December 2001 mainly resulted from the increase in cost of sales during the year as the average cost of tinplate, which accounted for approximately 92% of the Group's total cost of sales, increased from approximately RMB5,070 per tonne to approximately RMB5,240 per tonne, representing an increase of approximately 3.4%. However, the Group decided not to charge its customers a higher price for its tinplate cans in order to foster long term relations with its customers as the Group considered the increase in price of tinplate to be temporary. As a result, gross profit margin of the Group decreased.
- (ii) The increase in gross profit margin for the year ended 31 December 2002 was mainly due to the following:
 - the Group's introduction of the tinplate cans for foods during the year, which has a gross profit margin of approximately 10% higher than that of the Group's tinplate cans for beverages;
 - the average cost of tinplate decreased from approximately RMB5,240 per tonne to approximately RMB4,930 per tonne, representing a decrease of approximately 5.9% during the year; and
 - the lower operating costs associated with the Group's production plant in Shanxi Province, the PRC, given the lower wages in the region compared to coastal provinces and the lower costs of delivery to customers in the northern and western regions in the PRC. The Group's production plant in Shanxi Province, the PRC contributed turnover of approximately RMB17.0 million, representing approximately 7.8% of the Group's turnover derived from the sale of tinplate cans for the year ended 31 December 2002 and produced approximately 25.4 million tinplate cans for beverages, representing approximately 10% of the total unit of tinplate cans sold by Group for the same year, while approximately 7%, 12% and 5% of the cost of sales (the production cost), selling expenses and administrative expenses (the operating costs) of the Group for the year ended 31 December 2002 were attributable to the operations of the Shanxi Plant respectively.

FINANCIAL INFORMATION

Tinplate lacquering and printing

The Group's gross profit margin from tinplate lacquering and printing increased from approximately 33.7% to approximately 51.4% during the Track Record Period. The increase was mainly attributable to the following reasons:

- (i) the increase in fees charged to metal container producers for tinplate lacquering and printing services during the Track Record Period to capture the growing demand for high quality artwork printing as required by customers of these metal container producers; and
- (ii) due to the increase in turnover of the Group's tinplate lacquering and printing services, the Group required a higher volume of lacquer and ink which are principal raw materials for the Group's tinplate lacquering and printing services and accounted for approximately 52%, 68% and 74% of the Group's total costs of providing such services during each of the Track Record Period. The Group was able to negotiate for a lower purchase price for the raw materials with these raw material suppliers due to the higher volume purchased, which has resulted in a decrease in the cost of lacquer by approximately 12.2% and a decrease in the cost of ink by approximately 7.8% during the Track Record Period.

Net profit margin

The Group's net profit margin decreased from approximately 25.4% to approximately 21.3% for the year ended 31 December 2001 and increased to approximately 28.9% for the year ended 31 December 2002. The fluctuations of the Group's net profit margin are explained as follows:

- (i) The decrease in net profit margin for the year ended 31 December 2001 was mainly attributable to the following reasons:
 - the decrease in income arising from credit of bad debts provision from approximately RMB3.8 million to approximately RMB0.4 million during the year; and
 - the decrease in the overall gross profit margin of the Group from approximately 33.5% to approximately 30.8% during the year.
- (ii) The increase in net profit margin for the year ended 31 December 2002 was mainly attributable to the following reasons:
 - the increase in the overall gross profit margin of the Group from approximately 30.8% to approximately 38.2% during the year;
 - the Group's success in maintaining its selling and administrative expenses at approximately 4.2% of total turnover, as compared to approximately 5.0% of total turnover for the previous year, while its operations were expanded by the lease of the Shanxi production plant and equipment during the year; and

FINANCIAL INFORMATION

- the lower operating costs associated with the Shanxi production plant and the lower costs of delivery to customers in the northern and western regions of the PRC.

For the year ended 31 December 2000

The Group's total turnover was approximately RMB117.6 million for the year. The Group's sale of tinplate cans accounted for approximately RMB115.0 million or approximately 97.8% of the Group's total turnover for the year. Turnover contributed by the Group's tinplate lacquering and printing services amounted to approximately RMB2.6 million or approximately 2.2% of the Group's total turnover for the year.

The Group's cost of sales for the year was approximately RMB78.2 million, of which raw material costs, direct labour costs, depreciation charges and other production overheads accounted for approximately 92%, 1%, 5% and 2% respectively. Gross profit margin in respect of the Group's sale of tinplate cans was approximately 33.5%, while gross profit margin generated from the Group's provision of tinplate lacquering and printing services was approximately 33.7% for the year.

The Group's selling expenses amounted to approximately RMB4.0 million for the year, comprising mainly transportation costs and packaging materials of approximately RMB3.5 million and RMB0.3 million respectively, while the Group's administrative expenses were approximately RMB2.6 million, which mainly included PRC administrative staff's salaries of approximately RMB0.1 million, depreciation charges of approximately RMB0.4 million, provision for staff welfare and bonus fund of approximately RMB1.3 million and other miscellaneous administrative expenses. The Group also incurred finance costs of approximately RMB3.4 million for its bank loans and unsecured borrowings. The Group's other operating income of approximately RMB0.4 million was mainly due to the sale of raw materials of approximately RMB0.2 million.

The Group's net profit was approximately RMB29.9 million for the year, representing a net profit margin of approximately 25.4%.

For the year ended 31 December 2000, inventory turnover days, debtors' turnover days and creditors' turnover days were 60 days, 71 days and 13 days respectively.

For the year ended 31 December 2001

The Group's total turnover increased by approximately 37.5% to approximately RMB161.7 million for the year, of which turnover derived from the sale of tinplate cans and the lacquering and printing of tinplates were approximately RMB137.0 million and RMB24.7 million respectively.

The Group's cost of sales increased by approximately 43.0% to approximately RMB111.9 million for the year. Raw material costs, direct labour cost, depreciation charges and other production overheads accounted for approximately 92%, 2%, 4% and 2% respectively of the Group's cost of sales for the year. The weight of each major component of the Group's cost of sales was comparable to that of the previous year. The gross profit margin in respect of the sale of tinplate cans was approximately 28.1% for the year as compared to that of approximately 33.5% in the previous year.

FINANCIAL INFORMATION

Due to the increase in total turnover, the Group's selling expenses increased accordingly by approximately 16.1% to approximately RMB4.7 million for the year. The Group's administrative expenses increased by approximately 29.8% to approximately RMB3.4 million during the year. The increase was mainly attributable to the continual recruitment of additional administrative staff to cope with the expansion of the Group's operations. The Group's finance costs were approximately RMB3.4 million for the year, which was in line with that of the previous year. The Group's other operating income increased to approximately RMB0.5 million during the year from approximately RMB0.4 million in the previous year. The increase was mainly due to the receipt of compensation from certain suppliers to compensate for the bad quality materials provided by such suppliers.

The Group's net profit increased from approximately RMB29.9 million to approximately RMB34.5 million during the year.

For the year ended 31 December 2001, inventory turnover days, debtors' turnover days and creditors' turnover days were 15 days, 63 days and 10 days respectively.

Inventory turnover days decreased by 45 days to 15 days for the year ended 31 December 2001. The decrease was mainly due to the decrease in inventory balance at the year end. During the year, the Group's production planning department effectively managed to reduce the Group's inventory level and enabled the year end inventory balance to decrease significantly.

Debtors' turnover days decreased by 8 days to 63 days for the year ended 31 December 2001, while the Group's turnover increased for the same year. The decrease was mainly due to the Group's continuous efforts in administering its credit control policy.

Creditors' turnover days decreased by 3 days to 10 days for the year ended 31 December 2001, which was similar to that of the previous financial year.

For the year ended 31 December 2002

The Group's total turnover increased by approximately 62.3% to approximately RMB262.5 million for the year of which turnover derived from sale of tinplate cans and tinplate lacquering and printing were approximately RMB218.7 million and RMB43.8 million respectively.

The Group's cost of sales increased by approximately 45.2% to approximately RMB162.4 million for the year. Raw materials costs, direct labour costs, depreciation charges and other production overheads accounted for approximately 93%, 2%, 3% and 2% respectively of the Group's cost of sales for the period. The weight of each major component of the Group's cost of sales was comparable to that of the previous year. The gross profit margin in respect of the sale of tinplate cans was approximately 35.5% for the year, as compared to that of approximately 28.1% in the previous year.

The Group's selling expenses increased by approximately 52.7% to approximately RMB7.2 million for the year, which was in line with the increase in the total turnover of the Group for the year. The Group's administrative expenses increased by approximately 13.3% to approximately RMB3.9 million for the year. The increase was mainly due to the set up of the Shanxi production plant, which commenced operations in October 2002, and the set up of the Hong Kong office. The Group's finance

FINANCIAL INFORMATION

costs were approximately RMB3.3 million, which was in line with that of the previous year. The Group's other operating income increased by approximately 184.7% to approximately RMB1.4 million for the year. The increase was mainly due to the increase in the sale of raw materials during the year.

The Group's net profit increased from approximately RMB34.5 million in the previous year to approximately RMB76.0 million during the year.

For the year ended 31 December 2002, inventory turnover days, debtors' turnover days, and creditors' turnover days were 14 days, 93 days and 37 days, respectively.

Inventory turnover days decreased by 1 day to 14 days for the year ended 31 December 2002, which was comparable with that of the previous financial year.

Debtors' turnover days increased by 30 days to 93 days for the year ended 31 December 2002. The increase was mainly due to the increase in trade receivables resulting from the increase in sale of food cans in the second half of 2002.

Creditors' turnover days increased by 27 days to 37 days for the year ended 31 December 2002. The increase was mainly due to the increase in purchase of raw materials to meet the production requirement of the newly leased production plant in Fenyang, Shanxi Province.

Prospects and trading conditions from 1 January 2003 to the Latest Practicable Date

For the period from 1 January 2003 to the Latest Practicable Date, the Group continued to increase its sale of tinplate cans. The Group obtained more orders for tinplate cans for food with the increase in demand for small food cans. The Group also gained 19 new customers during the period, including 1 major producer and exporter of canned foods in the PRC for its tinplate cans for food, 16 new customers for its tinplate cans for beverages and 2 new customers for its tinplate lacquering and printing services. In response to this surge in demand, the Group increased its average selling price for small food cans by approximately 10%. The Directors expect that there will be increasing demand for tinplate cans for food and such products will constitute a larger part of the Group's total turnover. Demand for the Group's tinplate cans for beverages remained relatively stable for the period from 1 January 2003 to the Latest Practicable Date.

Cost of sales increased slightly for the period from 1 January 2003 to the Latest Practicable Date due to the increase in the average cost of tinplate by approximately 8% and the Group has lifted the selling prices to alleviate the effect of the increase in raw material cost on the gross profit margin during the period.

FINANCIAL INFORMATION

TAXATION

The Group is not subject to Hong Kong Profits Tax as the Group did not generate any assessable profits arising in Hong Kong for the three years ended 31 December 2002. Pursuant to the relevant income tax laws and regulations in the PRC, Fuwang's operations are eligible for exemption from PRC enterprise income tax for two years starting with the first profit-making year and a 50% tax relief in the following three years. The first profit-making year of Fuwang's operations in the Fujian province is the year ended 31 December 1998. The applicable income tax rate is 24% with the local enterprise tax rate of 3%. The local enterprise tax of 3% is exempted according to local tax preferential policy. Fuwang's operations in the Shanxi province started to generate profit in the year ended 31 December 2002. In 2003, Fuwang submitted an application in respect of the deferral of its entitlement of the privileged tax policy to 1 January 2003 to the State Tax Bureau of Fenyang, Shanxi province (the "Tax Bureau"). The application was successfully approved by the Tax Bureau on 16 May 2003 and the Tax Bureau agreed to defer the tax holiday and concessions. Fuwang's operations in the Shanxi province is exempted from PRC enterprise income tax commencing in 2003 for two years and thereafter a 50% tax relief for the next three years. The local enterprise tax rate of 3% is exempted according to local tax preferential policy.

PROPERTY INTERESTS

Property interests owned by the Group in the PRC

The Group owns a parcel of land together with various buildings and structures located at Pai Bian Village, Shang Jing Town, Fuqing City, Fujian Province, the PRC with a total site area of 13,666.7 sq.m., upon which two blocks of production buildings, one block of office building and eight additional ancillary structures with a total gross floor area of approximately 12,383 sq.m. have been constructed. The land use rights of the site are granted by Fujian Province Fuqing City Land Administration Bureau to the Group for a term of 50 years expiring on 5 November 2044 for industrial use.

In August 2002, the Group entered into a Land Use Agreement with 福清市上選鎮排邊村民委員會 (Fuqing City Shang Jing Town Pai Bian Village Resident Committee) and 上選鎮排邊村第六村及小組 (Shang Jing Town Pai Bian Village the Sixth Village and Group) to acquire conditionally the land use right of a parcel of land with a site area of approximately 6,667 sq.m. to expand the production facilities of the Group, subject to approval by relevant government authorities.

Property interests rented by the Group or provided to the Group in the PRC

As at the Latest Practicable Date, the Group rented three properties in the PRC, two of which are located at Fujian Province and the remaining one is located at Shanxi Province for the purposes of storage, office and production respectively.

FINANCIAL INFORMATION

The Group was provided by Mr. Yang for the use of the property at Units 28-29B, No. 4 Nanfu Building of Zhong Fu Xi Hu Garden, No. 66 Hu Bin Road, Gu Xi Road, Gulou District, Fuzhou City, Fujian Province, the PRC at nil consideration for the period from June 2001 to March 2003. Had rent been charged by Mr. Yang to the Group for the use of such property based on the prevailing market rates during the said period, the Group would have paid annual rental expenses of approximately RMB59,000 and RMB119,000 for the two years ended 31 December 2002 respectively.

Property interest rented by the Group in Hong Kong

The Group has rented a property located at Unit 2603, 26th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong as its principal place of business in Hong Kong. The property is rented for a term of two years commencing on 25 January 2003.

Property valuation

BMI Appraisals Limited, an independent valuer, valued the property interests of the Group as at 31 March 2003 at RMB17,400,000. The text of a letter, a summary of values and valuation certificates from BMI Appraisals Limited are set out in Appendix II to this prospectus. There is no material surplus or deficit arising from the property valuation.

DIVIDEND POLICY AND WORKING CAPITAL

Dividend policy

The total amount of dividends paid during each of the three years ended 31 December 2002 does not reflect the dividend policy of the Group to be adopted following the listing. The declaration, payment and amount of dividends will be subject to the discretion of the Directors and, if necessary, approved by the shareholders of the Company and will be dependent upon the Group's earnings, financial condition, cash requirements and availability, and other relevant factors. It is anticipated that if the Directors and/or the Company determine(s) to declare any interim and/or final dividends, they would be paid in or about December and June each year, respectively, and that the interim dividends would normally represent approximately one-third of the expected total dividends for the full year. The balance of the earnings will be used to fund the Group's continuous growth and the expansion of its business.

The Directors confirmed that they do not presently intend to recommend any dividend in respect of the year ending 31 December 2003.

Working capital

The Directors are of the opinion that, taking into account the present available banking facilities and cash balances of the Group and the estimated net proceeds from the New Issue, the Group has sufficient working capital for its present requirements.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

As at 31 December 2002, there was no reserve available for distribution to shareholders of the Company.

In accordance with the PRC laws and regulations, wholly foreign owned enterprises are required to allocate not less than 10% of its net profits to the reserve fund until the balance of this fund has reached the equivalent of 50% of the subsidiary's registered capital. Contribution to the employees' bonus and welfare fund is at the discretion of the directors of the PRC subsidiary.

ADJUSTED NET TANGIBLE ASSETS

The following statement of adjusted net tangible assets of the Group is based on the net tangible assets of the Group as at 31 December 2002 as set out in the accountants' report, the text of which is set out in Appendix I to this prospectus, adjusted as shown below:

	<i>RMB'000</i>	HK\$ Equivalent <i>HK\$'000</i>
Audited combined net tangible assets of the Group as at 31 December 2002	112,059	105,716
Plus: Unaudited combined profit for the three months ended 31 March 2003 (<i>Note 1</i>)	21,245	20,042
Estimated net proceeds from the New Issue (<i>Note 2</i>)	91,584	86,400
Less: Final dividend for 2002 declared by Bloxworth on 28 February 2003	(30,000)	(28,302)
Adjusted net tangible assets	194,888	183,856
Adjusted net tangible asset value per Share (<i>Note 3</i>)	<u>RMB 50.91 cents</u>	<u>HK 48.03 cents</u>

Notes:

1. For the three months ended 31 March 2003, the Group recorded unaudited results with turnover and net profit of approximately RMB82.5 million (equivalent to HK\$77.8 million) and approximately RMB21.2 million (equivalent to HK\$20.0 million) respectively. During the same period, the Group achieved gross profit margin and net profit margin of approximately 37% and approximately 26% respectively. The Directors consider that there was no significant fluctuation to the Group's financial performance for the three months ended 31 March 2003.
2. No account has been taken of the Shares which may be issued upon the exercise of the Over-allotment Option.

FINANCIAL INFORMATION

3. The adjusted net tangible asset value per Share is arrived at after the adjustments referred to in this section and on the basis of 382,800,000 Shares in issue immediately after the Share Offer and Capitalisation Issue, but takes no account of any Shares which may fall to be allotted and issued pursuant to the Over-allotment Option or the exercise of options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the paragraph headed “Resolutions in writing of all the shareholders of the Company passed on 2 June 2003” in the section headed “Further information about the Company and its subsidiaries” in Appendix IV to this prospectus.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of the Group since 31 December 2002, the date to which the latest published audited combined financial statements of the Group were made up.