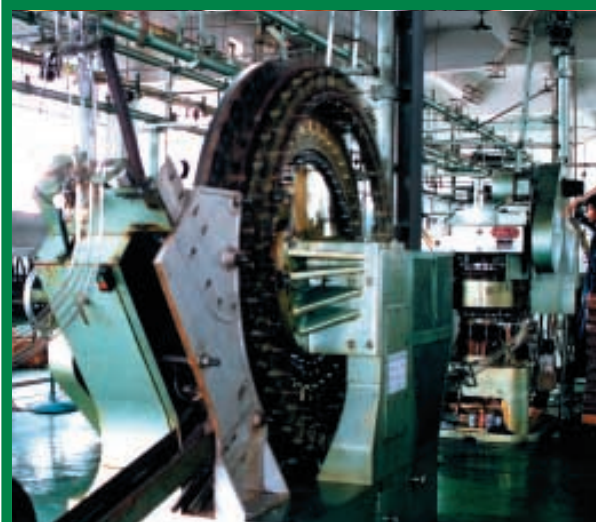


- **DOUBLE-DIGIT  
INCREASE IN REVENUES**
- **THREE TWO-PIECE  
TINPLATE CANS  
PRODUCTION LINES WILL  
BE IN PLACE**
- **PROSPEROUS GROWTH  
IN THE PACKAGING  
INDUSTRY IS EXPECTED  
IN THE YEAR AHEAD**



## FINANCIAL REVIEW

For the year ended 31 December 2003, the Group recorded a turnover of approximately RMB337.6 million (2002: RMB262.5 million), representing a growth of approximately 28.6% as compared to that of the last year. The increase was largely attributable to the rapid growth in the canned food industry in the PRC, and thereby stimulating the sales of the Group.

The Group's gross profit amounted to approximately RMB120.6 million (2002: RMB100.2 million), representing an increase of approximately 20.4% as compared to that of the last year. The improvement in gross profit was mainly due to the Group's capitalising on the growth opportunities in the metal container packaging market in the PRC, together with the Group's efforts in operational integration and technological innovation enhancement.

Net profit for the year under review amounted to approximately RMB78.7 million (2002: RMB76.0 million), which represented an increase of approximately 3.6% as compared to that of the last year. The net profit margin for the year under review amounted to approximately 23.3% (2002: 28.9%), which represented a decrease of approximately 5.6% as compared to that of the last year. Basic earnings per share was RMB0.228 (2002: RMB0.253).

## BUSINESS REVIEW

### Manufacture and sale of tinplate cans

During the year under review, the Group's turnover derived from the manufacture and sale of tinplate cans increased by approximately 33.5% to approximately RMB292.0 million (2002: RMB218.7 million) as compared to that of the last year. The increase in turnover was contributed by the following reasons:

- (i) **Rapid economic growth in the PRC brings infinite opportunities to the packaging industry**

With the accession to WTO, the PRC market is undergoing rapid economic growth. Its position as the future "World Manufacturing Plant" is strongly affirmed. Associated businesses such as packaging and printing are also under rapid development. As the country is experiencing the most rapid economic growth in the Asia-Pacific region, the GDP of the PRC is estimated to reach a substantial increase of 7%-7.5% per annum and the annual growth rate of printing and packaging industries is expected to exceed that of GDP of the PRC. The growth rate of packaging industry is estimated to reach 12% per year. In this end, favourable factors are generated for the development of the Group's packaging business in the PRC.



# MANAGEMENT DISCUSSION AND ANALYSIS

## (ii) Satisfactory business expansion

- Tinplate cans for food

During the year under review, the canned food industry experienced a rapid thrive in the PRC market. Canned food became one of the major consumer products. The Group, favoured by the upsurge development of the industry, achieved substantial growth in its sale of tinplate cans for food. During the year under review, the Group entered into agreements with two new dominant customers for its tinplate cans for food which in turn brought in prominent increase to the turnover of the Group's tinplate cans for food.

- Consolidate and strengthen the relationship with customers

In today's highly competitive market, the choice of appropriate partners becomes crucial to the development of an enterprise. In order to maintain the competitive advantages, in addition to being a product supplier, the Group consistently puts its emphasis on consolidating and strengthening partnership with its customers. With its passion for excellence, the Group continued to contribute its professional knowledge and expertise in the metal packaging to help its clients in their search of potential growth and product development. In addition, the Group developed an interactive relationship with its customers and was active in cooperating with them in their path for profit optimisation.

- Pursuit technological innovation and breakthrough to surpass competitors

During the year under review, the Group focused on developing its own technologies and innovation. The Group progressively combined and restructured its existing research and development team. The Group's research and development department, based on its foundation of printing and coloring techniques, successfully developed lacquering and seam-folding techniques which possess high durability in retaining alcoholic and sugar content as well as high anticorrosion quality. At present, only a small number of tinplate cans manufacturers manage to provide these techniques. These new techniques of the Group successfully attracted four new customers during the year under review.

- Business expansion in the sub-plant in Fenyang, Shanxi Province, the PRC

The business in the sub-plant in Fenyang, Shanxi Province, the PRC recorded a steady growth during the year under review. Under the dedication and valuable contributions of the Group's committed staff, the Group captured a substantial market share in the Shanxi Province in the past year. Stable product quality, good services and prompt supply of products enabled the Group to become one of the major suppliers of tinplate cans for beverages in the Shanxi Province during the year under review. The business in Shanxi areas experienced a luxuriant growth, and six new customers are solicited.

## Tinplate lacquering and printing services

During the year under review, the Group's turnover for the tinplate lacquering and printing services amounted to approximately RMB45.6 million (2002: RMB43.8 million), which recorded a steady growth of approximately 4.1% as compared to that of the last year. In response to the accelerating demand for high quality artwork from metal container producers, the Group purchased a new supra-speed automated production line for tinplate printing at the end of 2003. Upon installation of the new production line, the Group's overall colour printing production capacity is expected to increase by approximately 40%. The new production line is expected to commence operation in the first half of 2004.

## PROSPECTS

In the wake of the prosperous opportunities ahead, the Group will continue to enhance its competitive advantages in order to enlarge its market share and affirm its leading position in the industry. To enhance its competitive edge, the Group is committed to accelerating the integration of its management, sales and human resources departments. The Group dedicates to be the leading packaging group in the PRC through adopting the following prudent development strategies:

### (i) Enhancement of production capacity

- **Two-piece tinplate cans for food**

Escalating demand for canned food is observed in the PRC market in recent years. In today's health conscious market, the quality and safety of canned food become an imperative concern for consumers, which in turn stimulates the extensive use of high quality two-piece tinplate cans. In view of the Group's fruitful client base and continuous market expansion of two-piece tinplate cans for food, the Group invested approximately RMB30 million for the purchase of three processing production lines for two-piece tinplate cans, and they are expected to commence operation in the second half of 2004. Six types of specification products can be produced after the operation of the production lines. With the provision of abundant varieties of products and mighty production capability, the Group aims to become the largest supplier of two-piece tinplate cans in the PRC.

- **Production line of three-piece tinplate cans for beverages**

During the year under review, the Group's certain major customers expanded their beverage production capacities. Following such expansion, these companies entered into agreements with the Group to increase their purchase orders for the purchases of additional tinplate cans for beverages. In order to lessen the production pressure during the peak sale seasons and to fulfill the demand of major customers, the Group installed a new production line for three-piece tinplate cans for beverages in February 2004, which in turn increased the production capacity of the Group's production plant in Fuqing, Fujian Province, the PRC by approximately 30%.



## MANAGEMENT DISCUSSION AND ANALYSIS

- **Colour printing production line**

Due to the high demand of printing artwork specification of two-piece tinplate cans, the Group purchased a supra-speed automated colour printing production line at the end of 2003. The production capacity is expected to increase the Group's total colour printing production capacity by approximately 40%. The new production line can not only satisfy the particular demand of two-piece tinplate cans for food on printing artwork, but also fulfill the accelerating colour printing demand of the Group and its adjacent customers. The new production line is expected to commence operation in the first half of 2004.

### (ii) Practice of effective cost management and expansion of the Group's sales network

- **Expansion of the sales and marketing team**

The Group plans to recruit 15-20 experienced sales and marketing personnel to join the team in Fuqing and Shanxi sub-plant. The Group intends to adopt the practice of central allocation together with effective management in different districts.

- **Implementation of appropriate marketing campaigns**

To achieve effective sales and marketing purposes, the Group intends to actively participate in various large-scale trade fairs in the PRC so as to improve the Group's market recognition and image.

- **Cutting edge in product marketing**

The quality of the Group's three-piece tinplate cans for food have strongly fortified the Group's position in the industry. The Group is optimistic about further expansion and is fully geared to open up new markets for its two-piece tinplate cans for food. With regards to the various positioning of the new products, respectable revenue is expected in the year ahead.

- **Improvement and enhancement of internal communication and after-sales services**

In order to effectuate effective cost control, improving and strengthening sales services and internal communication between departments become crucial for the Group's long-term development. In addition, provision of high quality products and comprehensive services to customers is the most direct and effective advertising tactic, and meanwhile win the trust and satisfaction from the customers.

### **(iii) Propelling technological innovation and diversification in Research and Development**

The Group plans to recruit personnel who possess professional packaging knowledge to proceed the integration of technological power within the Group. The Group will encourage the research and development personnel to engage in continuous innovation of existing technology. In addition, the Group will actively negotiate with the universities in Fujian Province for the feasibility of setting up a research institute, and to jointly conduct researches on a number of technical areas concerning metal packaging and printing.

### **(iv) Establishing the Group's leading position via diversification**

In order to further penetrate into the newly spring up markets in the PRC, the Group plans to purchase and install the production line for two-piece tinplate cans for food in Shanxi plant. In addition, by further enhancing the production capacity for three-piece tinplate cans for beverages, the Group is expected to become the largest tinplate cans production enterprise in the northwestern part of the PRC.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally financed its operations by internally generated cashflow, net proceeds from placing and new issue and banking facilities provided by its bankers.

For the year ended 31 December 2003, the Group generated approximately RMB71.6 million (2002: RMB60.5 million) of cash from operations. As at 31 December 2003, the Group had cash and cash equivalents amounted to approximately RMB164.2 million (2002: RMB79.9 million).

As at 31 December 2003, the Group had aggregate bank loans of approximately RMB44.0 million (2002: RMB48.5 million) comprising short-term bank loans of approximately RMB37.0 million which will be repayable within one year and a long-term bank loan of RMB7.0 million which will be repayable in November 2005. The short-term bank loans were at variable interest rates ranging from 5.841% to 6.435% per annum. The long-term bank loan was at fixed rate of 5.841% per annum.

The bank loans as at 31 December 2003 were guaranteed by 福建福銘食品有限公司 (Fujian Fuming Food Co., Ltd.). This company is indirectly 50% held by a brother of Mr. Yang Zongwang, who is also the chairman of this company. Mr. Yang Zongwang is a director and a deemed substantial shareholder of the Company. Following the listing of Company's shares on the shares on the Stock Exchange, such guarantee was released and replaced by corporate guarantees from the Company.

As at 31 December 2003, the Group's current ratio, as a ratio of current assets to current liabilities, was approximately 3.6 (2002: 2.0) and the Group's gearing ratio, as a ratio of total interest-bearing borrowings to total assets, was approximately 13.3% (2002: 24.3%).

With respect to foreign exchange exposure, as the Group's transactions were mostly denominated in Renminbi and Hong Kong dollars and the exchange rate between Renminbi and Hong Kong dollar was steady during the year under review, the Group's exposure to foreign exchange fluctuations was minimal and the Group had not used any financial instruments for hedging purposes.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL COMMITMENTS

As at 31 December 2003, the Group had capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements amounting to approximately RMB31.4 million (2002: RMB1.6 million).

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed elsewhere in this report and the section headed “Future plans and prospects” in the Company’s prospectus dated 10 June 2003, as at 31 December 2003, the Group had no other future plans for material investments or capital assets.

## PLEDGE OF ASSETS

As at 31 December 2003, bank deposit of RMB765,000 (2002: RMB765,000) was pledged to a bank for trade finance granted to the Group to the extent of the amount of deposits placed with the bank.

## CONTINGENT LIABILITIES

As at 31 December 2003, the Group did not have any material contingent liabilities (2002: Nil).

## USE OF PROCEEDS

The Group raised approximately HK\$88.4 million (approximately RMB93.7 million) net of related expenses from the issue of 82,800,000 new shares in connection with the listing of the Company’s shares on the Stock Exchange on 2 July 2003. During the year ended 31 December 2003, these proceeds were partially applied in areas as follows:

- approximately RMB35.9 million to acquire additional machinery and equipment for the expansion of manufacturing capability of the Group’s production plant located in Fuqing, Fujian Province, the PRC
- approximately RMB2.3 million for the establishment of production facilities in the parcel of land adjacent to the Group’s production plant in Fuqing, Fujian Province, the PRC

The balance of the proceeds of approximately RMB55.5 million were placed on fixed deposits with licensed banks in both Hong Kong and the PRC as at 31 December 2003.

The actual and intended applications of the net proceeds are consistent with the plans set out in the Company’s prospectus dated 10 June 2003.

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2003, the Group employed a total of 344 employees (2002: 341 employees). The Group's emoluments policies are formulated based on industry practices and performance of individual employees. During the year under review, the total staff costs (including Directors' emoluments) amounted to approximately RMB8.7 million (2002: RMB5.6 million).

The Group operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to the eligible participants for their contributions to the Group. For the year ended 31 December 2003, no share option has been granted by the Company under the Scheme.