



NOTES TO CONDENSED FINANCIAL STATEMENTS

Six months period ended 30 June 2004

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (“IFRS”). The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2003.

3. REVENUE AND SEGMENT INFORMATION

Revenue 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 revenue is principally derived in the People’s Republic of China (“PRC”).

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

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3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six months period ended 30 June 2004

	Fresh and frozen meat products (Unaudited) RMB'000	Processed meat products (Unaudited) RMB'000	Consolidated (Unaudited) RMB'000
Segment revenue	2,105,064	1,184,307	3,289,371
Segment profit	263,151	230,608	493,759
Unallocated corporate expenses			(59,917)
Interest income			7,025
Profit from operating activities			440,867
Finance costs			(6,569)
Profit before tax			434,298
Tax			(72,700)
Net profit attributable to shareholders			361,598

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3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six months period ended 30 June 2003

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

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4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months period ended 30 June 2004 (Unaudited) RMB'000	Six months period ended 30 June 2003 (Unaudited) RMB'000
Depreciation	77,168	62,663
Research and development costs	3,430	2,542
Provision for doubtful debts	5,400	4,500
Interest income	(7,025)	(5,737)

5. TAX

	Six months period ended 30 June 2004 (Unaudited) RMB'000	Six months period ended 30 June 2003 (Unaudited) RMB'000
PRC	72,700	44,071

Hong Kong profit tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the period ended 30 June 2004 (2003: Nil).



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5. TAX (Continued)

In accordance with the various approval documents issued by the State Tax Bureau and the Local Tax Bureau of the PRC, the Group's operating subsidiaries Linyi Xincheng, Linyi Minsheng, Tongliao Jinluo, Meishan Jinluo, Daqing Jinluo, Qiqihaer Jinluo and Dezhou Jinluo are entitled to be exempted from the PRC state and local corporate income tax of the first two profitable financial years of their operations and thereafter to a 50% relief from the state corporate income tax of the PRC for the following three financial years ("Tax Holiday"). Xiangtan Jinluo, is also entitled to be exempted from the PRC state and local corporate income tax for the first two profitable years of their operations and thereafter to a 50% relief from the state corporate income tax of the PRC for the following six financial years. With effect from 1 January 2001, Linyi Xincheng was subject to corporate income tax of 33% on its taxable profit upon expiry of the Tax Holiday on 31 December 2000. With effect from 1 January 2003, Linyi Minsheng was subject to corporate income tax of 18% on its taxable profit upon expiry of the first two years' tax exemption of the Tax Holiday on 31 December 2002. With effect from 1 January 2004, Daqing Jinluo was subject to corporate income tax of 18% on its taxable profit upon expiry of the first two years' exemption of the Tax Holiday on 31 December 2003. Tongliao Jinluo, Xiangtan Jinluo and Meishan Jinluo have commenced their first years' tax exemption period from the financial year ending 31 December 2003.

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6. DIVIDENDS

	Six months period ended 30 June 2004 (Unaudited) RMB'000	Six months period ended 30 June 2003 (Unaudited) RMB'000
Proposed interim dividends — RMB0.096 per share (2003: RMB0.064 per share)	108,799	72,533

An interim dividend of RMB0.096 per ordinary share (2003: RMB0.064 per ordinary share), amounted to approximately RMB108,799,000 (2003: RMB72,533,000), has been declared by the Board, with the interim dividend payable on 30 September 2004 to shareholders on record as at 10 September 2004. Dividends are declared in RMB and will be converted into Singapore dollars or Hong Kong dollars before being paid to the shareholders (depending on where the shareholders' shares are traded). As such, this dividend has not been recognised as a liability as at 30 June 2004.

The amount of proposed interim dividend for the period is calculated based on 1,133,324,723 shares (2003: 1,133,324,723 shares) in issue as at the date of approval of these financial statements.



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7. EARNINGS PER SHARE

	Six months period ended 30 June 2004 (Unaudited)	Six months period ended 30 June 2003 (Unaudited)
Basic	RMB0.32	RMB0.21
Diluted	N/A	N/A

Basic earnings per share for the six months period ended 30 June 2004 are calculated based on the Group's net profit attributable to shareholders of approximately RMB361,598,000 (1H 2003: approximately RMB242,226,000) divided by 1,133,324,723 ordinary shares of HK\$0.50 each (1H 2003: 1,133,324,723 ordinary shares of HK\$0.50 each) in issue during the period.

Diluted earnings per share for the six months period ended 30 June 2004 and 2003 have not been calculated as no diluting events existed during these periods.

8. ADDITIONS TO FIXED ASSETS

During the current period, the Group acquired the fixed assets amounting to approximately RMB254,321,000 (year ended 31 December 2003: RMB486,775,000).

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9. TRADE DEBTORS

The ages of trade debtors are analysed as follows:

	30 June 2004 (Unaudited) RMB'000	31 December 2003 (Audited) RMB'000
Current-30 days	316,258	330,212
31-60 days	139,815	127,997
61-90 days	44,863	51,697
Over 90 days	29,028	25,332
	529,964	535,238
Less: Provision for doubtful debts	(32,700)	(27,300)
	497,264	507,938

The Group normally allows credit terms to its trade customers ranging from 30 to 60 days (2003: 30 to 60 days).

10. TRADE CREDITORS

The ages of trade creditors are analysed as follows:

	30 June 2004 (Unaudited) RMB'000	31 December 2003 (Audited) RMB'000
Current-30 days	65,421	57,556
31-60 days	16,677	14,729
61-90 days	6,708	2,700
Over 90 days	263	—
	89,069	74,985

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11. INTEREST-BEARING BANK LOANS

The bank loans are unsecured, bear interest ranging from 5% to 8% (31 December 2003: 5% to 8%) per annum and repayable within one year.

12. SHARE CAPITAL

	30 June 2004 (Unaudited) RMB'000	31 December 2003 (Audited) RMB'000
Authorised:		
4,000,000,000 (31 December 2003: 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 (31 December 2003: 1,133,324,723) ordinary shares of HK\$0.50 each	603,343	603,343

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13. COMMITMENTS

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

(a) Capital commitments:

	30 June 2004 (Unaudited) RMB'000	31 December 2003 (Audited) RMB'000
Contracted, but not provided for:		
Buildings	71,611	71,611
Plant and machinery	18,207	19,033
	89,818	90,644
Authorised, but not contracted for in respect of the acquisition of fixed assets	104,235	104,235
	194,053	194,879

(b) Operating lease commitments:

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

	30 June 2004 (Unaudited) RMB'000	31 December 2003 (Audited) RMB'000
Within one year	7,956	7,690
In the second to fifth years, inclusive	33,110	28,923
After five years	63,958	65,708
	105,024	102,321



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13. COMMITMENTS (Continued)

(b) Operating lease commitments: (Continued)

The Group leases certain of its land and buildings under operating lease arrangements. Leases for land and buildings are negotiated for the terms ranging from 1 to 20 years (31 December 2003: 1 to 20 years).

- (c) On 22 January 2003, Linyi Xincheng entered into a lease agreement with Shangqiu Fuyuan Food Enterprise Group Company Limited, an independent third party to the Group, for a term of five years between 8 February 2003 to 7 February 2008. The lease includes meat slaughtering lines, cold storage facilities and equipment, all existing production equipment, staff premises and office buildings located at Shangqiu City, the Henan Province, the PRC. According to the lease agreement, rental expenses is determined based on the number of pigs slaughtered. During the period, the Group recognised approximately RMB1.35 million (31 December 2003: RMB1.20 million) in respect of contingent rental expenses under the above lease.

The Company did not have any significant commitments as at 30 June 2004 (31 December 2003: Nil)

14. RELATED PARTY

Maleque Limited, the substantial shareholder of the Company, is 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. Other than the foregoing and the subsidiaries of the Company, there were no other principal related party relations where control over financial and operating policies of the subject entity exist as at the balance sheet date.

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15. POST BALANCE SHEET EVENTS

Subsequent to 30 June 2004, the following events occurred:

- (a) Pursuant to a board resolution passed on 11 August 2004, an interim dividend of RMB0.096 per ordinary share, amounting to approximately RMB108,799,000 has been declared by the Board.
- (b) On 20 July 2004, the Group entered into a conditional Subscription Agreement with Glorious Faith Corporation ("Glorious Faith") and Glorious Faith's ultimate beneficial owners who are independent third parties of the Group (collectively known as "the Warrantors") to subscribe for 4,900 ordinary shares in the share capital of Glorious Faith (the "Subscription Shares"), representing 49.0% of the entire issued share capital of Glorious Faith on a fully diluted basis. The consideration payable is approximately US\$26.5 million payable in cash from its internal resources and was arrived at on arm's length basis negotiations having regards to a price to earnings ratio of 7.5 times the Minimum Profit (being the combined net profit after extraordinary items and minority interests of Glorious Faith Group's businesses and operations for the year ended 31 December 2003 which will not be less than RMB60.00 million, and a condition to Completion). Glorious Faith is an investment holding company that holds a 100% interest in Rainbow Palace Inc., an investment holding company whose principal asset is the entire equity interest of Linyi Shansong Biological Products Co. Ltd. ("LSBP"). The principal business activities of LSBP is in the manufacture, development and sales of soy oil, soy meal, soy oligosaccharides, soy protein isolates and related products in the PRC.