

Report of the Directors

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 13 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

LISTING

In addition to the listing of the Company's shares on The Singapore Exchange Securities Trading Limited (the "SGX-ST") on 14 March 2001, the Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "HKSE") by way of introduction on 28 October 2002. As a result, the Company has had a dual primary listing of its shares on both the SGX-ST and the HKSE since 28 October 2002.

RESULTS AND DIVIDENDS

Details of the results of the Company and the Group for the year ended 31 December 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 36 to 39.

An interim dividend of RMB0.096 per ordinary share amounting to approximately RMB108,799,000 was declared on 11 August 2004 and paid on 30 September 2004. The Directors proposed that a final dividend of RMB0.112 per ordinary share amounting to approximately RMB126,932,000 be paid for the year ended 31 December 2004.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 68 of the annual report. This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Group are set out in note 15 to the financial statements.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

No subsidiary was acquired or disposed of during the year.

On 20 July 2004, the Company 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"), in respect of the subscription of 4,900 ordinary shares in the share capital of Glorious Faith, representing 49% of the entire issued share capital of Glorious Faith on a fully diluted basis, at a consideration of US\$27.1 million (approximately RMB223,401,000) arrived at on arm's length basis at a price to earnings ratio of 7.5 times the minimum profit (being the combined net profit of Glorious Faith and its subsidiaries (collectively known as the "Glorious Faith Group") for the year ended 31 December 2003 which will not be less than RMB60.0 million. On 15 October 2004 (the "Completion Date"), the subscription was completed and the consideration was paid through a wholly-owned subsidiary of the Group.

Report of the Directors

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES (Continued)

The principal activity of Glorious Faith is investment holding and it holds 100% equity interest in Rainbow Palace Inc. ("Rainbow Palace"), an investment holding company whose principal asset is the entire equity interest of Linyi Shansong Biological Products Company Limited ("Linyi Shansong"). The principal activities of the Glorious Faith Group mainly consist of the manufacture, development and sales of soy oil, soy meal and soy protein isolates, which are mainly applied as the nutritional supplement for food products, and drinkable soy oligosaccharides, a health-care product registered with the Ministry of Health of the PRC and related products in the PRC.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and an associate are set out in the note 13 and note 14 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the year, 德州金鑼肉製品有限公司 ("Dezhou Jinluo"), being a wholly-owned subsidiary of the Company, was established as a wholly foreign-owned enterprise in the People's Republic of China. The registered capital of Dezhou Jinluo amounted to US\$5,000,000 was paid up in full during the year.

Save as disclosed above, none of the members of the Group issued any shares or increased its registered capital during the year.

The Company and its subsidiaries did not issue any debentures during the year.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year, together with reasons therefore, are set out in note 23 to the financial statements.

There is currently no share option scheme relating to the unissued shares of the Company.

BANK BORROWINGS

Details of the bank borrowings of the Group are set out in note 22 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

There has been no purchase, redeemed or sold any of shares of the Company's listed securities by the Company or any of its subsidiaries during the year. The Company has issued a policy on dealing in the Company's shares to employees of the Company pursuant to the Best Practice Guide issued by the SGX-ST. The policy sets out the implications of insider dealings in the shares, and includes guidance to employees on dealing in the Company's shares, which is modelled after the Best Practice Guide with some modifications.

MATERIAL MOVEMENTS OR TRANSFERS IN RESERVES AND PROVISIONS

Details of movements in the reserves of the Company and the Group during the year are set out in the statement of changes in equity and in note 24 to the financial statements.

There were no material transfers to or from provisions during the year except for normal amounts recognised as an expense for such items as depreciation of fixed assets and provisions for trade debtors and income tax as disclosed in the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2004, the Company's reserves available for distribution, calculated in accordance with the provision of laws of Bermuda, amounted to approximately RMB20,193,000. The balance of approximately RMB557,229,000 in the share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for approximately 5% of the Group's consolidated turnover. In addition, the five largest suppliers of the Group accounted for approximately 4% of the Group's consolidated purchases for the year. Sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total sales and total purchases, respectively, for the year.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

BAD AND DOUBTFUL DEBTS

The Directors have taken reasonable steps to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of provision/write-back of provision for doubtful debts, and have satisfied themselves that all known bad debts, if any, have been written off and that, where necessary, adequate provision/write-back of provision has been made for doubtful debts in these financial statements.

At the date of this report, the Directors are not aware of any circumstances which would render any amount written off or provided/write-back of provision for bad and doubtful debts in the Group inadequate to any substantial extent.

CURRENT ASSETS

The Directors have taken reasonable steps to ascertain that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or adequate provision has been made for the impairments in the values of such current assets in these financial statements.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the consolidated financial statements misleading.

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

Subsequent to the balance sheet date, certain leasehold land with net book value of approximately RMB17,979,000 were pledged as security for a bank facility of RMB20,700,000 granted to the Group.

Save as disclosed above, no charge on the assets of the Company or any companies in the Group has arisen which would secure the liabilities of any other person and no contingent liability has arisen.

Report of the Directors

ABILITY TO MEET OBLIGATIONS

Save as disclosed in note 26 to the financial statements, no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the year which, in the opinion of the Directors, will or may substantially affect the ability of the Company and the Group to meet their obligations as and when they fall due.

OTHER CIRCUMSTANCES AFFECTING THE FINANCIAL STATEMENTS

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or in the financial statements which would render any amount stated in the financial statements of the Company and the Group misleading.

UNUSUAL ITEMS

In the opinion of the Directors, the results of the operations of the Company and the Group during the year have not been substantially affected by any item, transaction or event of a material and unusual nature.

UNUSUAL ITEMS AFTER THE FINANCIAL YEAR

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the year and the date of this report which would affect substantially the results of the operations of the Company and the Group for the year in which this report is made.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Company and the Group are set out in note 30 to the financial statements.

DIRECTORS

The Directors of the Company in office at the date of this report are:

Executive Directors:

Ming Kam Sing
Zhou Lian Kui
Zhou Lian Liang

Non-executive and Independent Directors:

Chng Hee Kok
Chan Kin Sang
Ow Chin Hock

The independent non-executive Directors have not been appointed for a specific term and their appointments are subject to retirement and re-election provisions set out in the Company's Bye-Laws. Save as aforesaid, the Company has, in the year ended 31 December 2004, fully complied with the Code of Best Practice as set out in Appendix 14 of the HKSE Listing Rules in place prior to the amendments thereto on 1 January 2005.

In accordance with Bye-Law 86(1) of the Company's Bye-Laws, Mr Ming Kam Sing and Mr. Chng Hee Kok will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 8 to 9 and 15 to 17 of the annual report.

SHARE OPTION SCHEME

The Company does not operate any share option scheme.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the year was the Company or any of its subsidiaries a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Report of the Directors

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, the only Directors who held office at the end of the financial year and who had an interest in shares or debentures of the Company or its related corporations either on 1 January 2004, or on 31 December 2004, or on 21 January 2005, were as follows:

At 1 January 2004

Name of director	Direct interest <i>Ordinary shares of HK\$0.50 each of the Company</i>	Deemed interest
Ming Kam Sing (note i)	—	525,975,306
Zhou Lian Kui (note i)	10,666,624	525,975,306

At 31 December 2004

Name of director	Direct interest <i>Ordinary shares of HK\$0.50 each of the Company</i>	Deemed interest
Ming Kam Sing (note i)	—	525,975,306
Zhou Lian Kui (note i)	10,666,624	525,975,306

At 21 January 2005

Name of director	Direct interest <i>Ordinary shares of HK\$0.50 each of the Company</i>	Deemed interest
Ming Kam Sing (note i)	—	525,975,306
Zhou Lian Kui (note i)	10,666,624	525,975,306

Notes:

- (i) By virtue of the Companies Act, Chapter 50 of Singapore ("Singapore Companies Act"), Mr. Ming Kam Sing and Mr. Zhou Lian Kui are deemed to be interested in all the shares held by Maleque Limited by virtue of his interest of 65% and 25% respectively in Maleque Limited.

DIRECTORS' INTERESTS IN SHARES (Continued)

Directors' Interests

As at 31 December 2004, the interests and short position of the Directors in the shares, debentures and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which will have to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to be under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the HKSE pursuant to the Model code for Securities Transactions by Directors of the Listed Companies in the HKSE Listing Rules, were as follows:

Name of director	Number of shares held and nature of interest		
	Personal	Corporate	Total
	<i>Ordinary shares of HK\$0.50 each of the Company</i>		
Ming Kam Sing	—	525,975,306*(L)	525,975,306(L)
Zhou Lian Kui	10,666,624(L)	—	10,666,624(L)

* These shares are held by Maleque Limited, a company incorporated in the British Virgin Islands, the issued share capital of which is owned as to 65% by Mr. Ming Kam Sing, 25% by Mr. Zhou Lian Kui and 10% by Mr. Zhou Lian Liang.

Notes: (L) — Long Position

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2004, so far as was known to the Directors, the following companies or persons had an interest or short position in the shares and the underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of shares held	Approximate Percentage of shareholding
Ming Kam Sing (Note 1)	525,975,306 (L)	46.41% (L)
Maleque Limited (Note 2)	525,975,306(L)	46.41% (L)
FMR Corp	102,091,665(L)	9.01(L)
J.P. Morgan Chase & Co.	56,124,000(L)	4.95%(L)
	23,781,000(P)	2.10%(P)
J.P. Morgan Fleming Asset Management (Asia) Inc.	72,878,000(L)	6.43%(L)
J.P. Morgan Fleming Asset Management Holdings Inc.	75,433,000(L)	6.66%(L)
JF Asset Management Limited	72,418,000(L)	6.39%(L)

Notes: (L) — Long Position, (P) — Lending Pool

Note 1: Under the SFO Mr. Ming Kam Sing is deemed to be interested in 525,975,306 Shares held by Maleque Limited by virtue of his 65% interest in Maleque Limited.

Note 2: The issued share capital of Maleque Limited is owned as to 65% by Mr. Ming Kam Sing, 25% by Mr. Zhou Lian Kui and 10% by Mr. Zhou Lian Liang.

The above shareholdings are also disclosed in the section headed "Directors' interests in shares" above.

Save as disclosed above, no person had an interest of 5% or more in the issued share capital of the Company.

CONNECTED/INTERESTED PERSON/RELATED PARTY TRANSACTIONS

In compliance with the HKSE Listing Rules, the rules of the SGX-ST, International Financial Reporting Standard and International Accounting Standards, the Directors confirmed that there were no connected, interested person or related party transactions during the year under the review, except that during the year, the Group had purchased raw materials of approximately RMB78,261,000 from Linyi Shansong, an associate of the Group. The Directors confirm that all of these transactions were carried out in the ordinary and usual course of business of the Group.

DIRECTORS' SERVICE CONTRACTS

The Company entered into separate service agreements ("Service Agreements") with Mr. Ming Kam Sing, Mr. Zhou Lian Kui and Mr. Zhou Lian Liang for an initial period of three years commencing from 1 January 2004.

Apart from the foregoing, no director proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the service contracts detailed above, no Director had a material interest in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

AUDIT COMMITTEE, NOMINATING COMMITTEE AND REMUNERATION COMMITTEE

Details of the Company's audit committee, nominating committee and remuneration committee are set out in Statement of the Corporate Governance on pages 11 to 13.

AUDITORS

Pursuant to a notice of nomination of auditors received from a shareholder, Grant Thornton has been nominated for appointment as auditors of the Company in place of the retiring auditors, Ernst & Young. The Audit Committee has reviewed the matter and recommended the nomination of Grant Thornton as auditors for financial year 2005. The appointment is subject to shareholders' approval at the forthcoming Annual General Meeting.

OTHER INFORMATION REQUIRED BY THE SGX-ST

No material contracts to which the Company, its holding company, or any of its subsidiaries are a party and which involved Directors' interests subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

On behalf of the Board,

Ming Kam Sing
Chairman

Zhou Lian Kui
Executive Director

Hong Kong
18 March 2005