Notes to Financial Statements

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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 13 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 18,190 employees as at 31 December 2004 (2003: 9,500 employees).

The consolidated financial statements of the Company for the year ended 31 December 2004 were authorised for issue in accordance with a resolution of the directors passed on 28 February 2005.

2. IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARD AND INTERNATIONAL ACCOUNTING STANDARDS

The following new and revised International Financial Reporting Standard ("IFRS") and International Accounting Standards ("IASs") are effective for the first time for the current year's financial statements:

- IFRS 3: "Business combinations"
- IAS 36: "Impairment of assets" (revised March 2004)
- IAS 38: "Intangible assets" (revised March 2004)

The new and revised IFRS and IASs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these IFRS and IASs are summarised as follows:

IFRS 3 applies to accounting for business combinations for which the agreement date is on or after 31 March 2004. IFRS 3 deals with the accounting for business combinations and the ongoing accounting for goodwill acquired in business combinations. In particular, the goodwill arising from a business combination is no longer amortised, but is subject to an impairment test whilst the negative goodwill is recognised immediately in the profit and loss account.

An entity shall apply this IFRS prospectively, from the beginning of the first annual period beginning on or after 31 March 2004, to the goodwill, negative goodwill and intangible assets arising from the business combination for which the agreement date was before 31 March 2004.

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2. IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARD AND INTERNATIONAL ACCOUNTING STANDARDS (Continued)

As a result of the issuance of IFRS 3, IAS 36 and IAS 38 were amended to meet the new requirements. IAS 36 and IAS 38 require goodwill to be tested for impairment annually, or more frequently if events or changes in circumstances indicate a possible impairment. The impairment losses for goodwill are no longer allowed to be reversed. In addition, an intangible asset is required to be treated as having an indefinite useful life when, based on an analysis on the period over which the asset is expected to generate net cash inflows for the entity. An intangible asset with an indefinite useful life must not be amortised, but must instead be tested for impairment annually, or more frequently if events or changes in circumstances indicate a possible impairment. Further, additional disclosure of a range of information for each cash-generating unit is required that includes within its carrying amount a significant amount of goodwill or intangible assets with indefinite useful lives.

The revised IAS 36 and IAS 38 have had no significant impact to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with IFRSs, which comprise standards and interpretations approved by the International Accounting Standards Board, and IASs 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 2004 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Notes to Financial Statements

31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets (Continued)

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

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.

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of associates represents the excess of the cost of the acquisition over the Group's share of interests in the net fair values of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that carrying value may be impaired.

On disposal of associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill less any accumulated impairment losses and any relevant reserves, as appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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 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.

Notes to Financial Statements

31 December 2004

3. 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 benefits 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.

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, carryforward 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, carryforward 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 subsequently enacted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

The Group maintains its accounting records in RMB and transactions arising in foreign currencies are translated into RMB at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange 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 rates of exchange 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 rates of exchange ruling at the balance sheet dates. 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.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

During each of the financial years ended 31 December 2003 and 2004, 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.

Notes to Financial Statements

31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends (Continued)

Interim dividends are simultaneously proposed and declared, because the Company's Bye-Laws 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.

4. 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	
	2004 RMB'000	2003 RMB'000
Revenue — Sale of goods	6,532,075	4,900,202
Interest income	8,377	12,259
Others	8,329	—
Total revenue	6,548,781	4,912,461

A further analysis of the Group's revenue and other revenue by activity is set out in note 26 to the financial statements.

The turnover of the Company for the years ended 31 December 2004 and 2003 represents dividend income from its subsidiaries and has been eliminated on consolidation.

5. PROFIT FROM OPERATING ACTIVITIES

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

	Group		Company	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Cost of inventories sold	5,455,267	3,965,458	—	—
Depreciation	158,834	130,423	—	—
Operating lease rentals on land and buildings	9,003	8,308	—	—
Staff costs (excluding directors' remuneration (note 7))	191,879	83,325	785	731
Less: Retirement scheme contributions	(9,947)	(4,280)	—	—
Amount included in research and development costs below	(3,928)	(3,399)	—	—
	178,004	75,646	785	731
Retirement scheme contributions	9,947	4,280	—	—
Research and development costs	12,073	9,779	—	—
Provision/(write-back of provision) for doubtful debts	(6,354)	1,900	—	—
Loss on disposal of fixed assets	8,388	6,385	—	—
Professional expenses*	5,354	3,944	1,954	1,188
Interest income	(8,377)	(12,259)	—	—

* For the years ended 31 December 2004 and 2003, the professional expenses of the Group included audit fee of approximately RMB3.4 million and RMB2.7 million, respectively.

For the years ended 31 December 2004 and 2003, the professional expenses of the Company did not include any amount paid to the auditors for the years ended.

Saved as disclosed above, no other fees were paid to the auditors by the Group and the Company during the year (2003: Nil).

6. FINANCE COSTS

	Group		Company	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Interest expenses on bank loans, wholly repayable within five years	12,704	12,622	—	—

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7. 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	
	2004 RMB'000	2003 RMB'000
Fees	731	731
Other emoluments:		
Salaries, allowances and benefits in kind	6,360	6,360
Performance related bonuses	—	—
Pension scheme contributions	—	—
	6,360	6,360
	7,091	7,091

Fees included approximately RMB731,000 (2003: RMB731,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2003: 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.

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

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2003: three) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining two (2003: two) non-director, highest paid employees are as follows:

	Group 2004 RMB'000	Group 2003 RMB'000
Salaries, allowances and benefits in kind	1,694	1,665
Performance related bonuses	—	—
Pension scheme contributions	25	25
	1,719	1,690

The remuneration of each of the two non-director, highest paid employees fell within the band of Nil to HK$1,000,000.

9. TAX

	Group 2004 RMB'000	Group 2003 RMB'000
PRC	139,212	98,071
Share of tax attributable to associates	—	—
	139,212	98,071

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2003: 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"), 齊齊哈爾金鑼肉製品有限公司 ("Qiqihaer Jinluo") and 德州金鑼肉製品有限公司 ("Dezhou Jinluo"), wholly-owned subsidiaries of the Company, and Linyi Shansong Biological Products Company Limited ("Linyi Shansong"), an associate of the Group, 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 (2003: 33%).

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9. TAX (Continued)

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.

Upon expiry of two years' tax exemption periods in the financial year ended 31 December 2003, Daqing Jinluo is subject to the reduced tax rate of 18% for the three financial years from 1 January 2004 to 31 December 2006.

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 (2003: Nil).

The two years' tax exemption periods for Dezhou Jinluo and Linyi Shansong have commenced in the financial year ended 31 December 2004 under local jurisdiction.

Tax has not been provided by the Company as the Company did not derive any assessable profits during the year (2003: 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	
	2004 RMB'000	2003 RMB'000
Profit before tax	755,455	650,128
Tax at the applicable tax rate of 33%	249,300	214,542
Non-taxable and non-deductible items and others, net	383	(287)
Tax Holiday/Tax Relief of certain WOFEs of the Group	(103,265)	(116,184)
Tax Holiday of the associates	(7,206)	—
Actual PRC corporate income tax	139,212	98,071

10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company is approximately RMB220,426,000 (2003: RMB289,313,000).

11. DIVIDENDS

	Group		Company	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
The Company				
Proposed final dividend				
— RMB0.112 per share				
(2003: RMB0.082 per share)	126,932	92,933	126,932	92,933
Interim dividend				
— RMB0.096 per share				
(2003: RMB0.064 per share)	108,799	72,533	108,799	72,533
	235,731	165,466	235,731	165,466

A final dividend of RMB0.112 per ordinary share (2003: RMB0.082 per ordinary share), amounting to approximately RMB126,932,000 (2003: RMB92,933,000), 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 (2003: 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.

12. EARNINGS PER SHARE

Basic earnings per share is calculated based on the Group's net profit attributable to shareholders of approximately RMB616,243,000 (2003: approximately RMB552,057,000) divided by the weighted average number of 1,133,324,723 ordinary shares of HK$0.50 each (2003: 1,133,324,723 ordinary shares of HK$0.50 each) in issue during the financial year.

Diluted earnings per share for the years ended 31 December 2004 and 2003 have not been calculated as no diluting events existed during these years.

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2004 RMB'000	2003 RMB'000
Unlisted shares, at cost	497,043	497,043

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

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13. 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 Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Loampit Limited	British Virgin Islands ("BVI")	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	Manufacturing and sale of meat products
Linyi Minsheng (Note (b))	PRC	US$15,000,000	—	100	Manufacturing and sale of meat products
Xiangtan Jinluo (Note (c))	PRC	US$1,800,000	—	100	Manufacturing and sale of meat products
Tongliao Jinluo (Note (d))	PRC	US$2,200,000	—	100	Manufacturing and sale of meat products
Daqing Jinluo (Note (e))	PRC	US$9,000,000	—	100	Manufacturing and sale of meat products
Meishan Jinluo (Note (f))	PRC	RMB55,320,000	—	100	Manufacturing and sale of meat products
Qiqihaer Jinluo (Note (g))	PRC	US$4,800,000	—	100	Manufacturing and sale of meat products
Dezhou Jinluo# (Note (h))	PRC	US$5,000,000	—	100	Manufacturing and sale of meat products

All the above companies are audited by Ernst & Young affiliated firms for statutory or consolidation purposes.

Newly established during the year.

13. 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 the 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.

(h) Dezhou 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 6 January 2004, which may be extended upon approval of the relevant PRC authorities according to PRC laws.

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14. INTERESTS IN ASSOCIATES

	Group		Company	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Unlisted shares, at cost	—	—	—	—
Share of net assets other than goodwill	181,880	—	—	—
Goodwill on acquisition	63,359	—	—	—
	245,239	—	—	—

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"), 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 an arm's length basis at a price to earnings ratio of 7.5 times the minimum profit (being the combined net profit after extraordinary items and minority interests of the businesses and operations of Glorious Faith and its subsidiaries (collectively known as the "Glorious Faith Group") for the year ended 31 December 2003 which would not be less than RMB60.0 million). On 15 October 2004 (the "Completion Date"), the subscription was completed and the consideration was paid from its internal resources through a wholly-owned subsidiary of the Group.

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. 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.

The Group's share of the post-acquisition accumulated reserves of associates as at 31 December 2004 amounted to RMB21,838,000 (2003: Nil).

14. INTERESTS IN ASSOCIATES (Continued)

A summary of the results for the period ended 31 December 2004 and of the assets and liabilities of the associates at that date is set out below:

	For the period from the Completion Date to 31 December 2004 RMB'000
Total revenue	174,687
Net profit for the period	44,568

	At 31 December 2004 RMB'000
Total assets	562,288
Total liabilities	191,104

Particulars of the associates are as follows:

Name	**Business structure**	**Place of incorporation/ registration and operations**	**Percentage of ownership interest indirectly attributable to the Company**	**Principal activities**
Glorious Faith	Corporate	BVI	49%	Investment holding
Rainbow Palace	Corporate	BVI	49%	Investment holding
Linyi Shansong	Corporate	PRC	49%	Manufacture and sale of soybean based food products

The associates are not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

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15. FIXED ASSETS

Group

	Leasehold land and buildings		Leasehold improvements		Plant and machinery		Furniture, fixtures and office equipment		Motor vehicles		Construction in progress		Total	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Cost:														
At 1 January	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
Additions	94,107	—	15,823	—	244,412	207,316	15,284	3,883	594	1,054	106,926	274,522	477,146	486,775
Disposals	—	—	(9,237)	(952)	(8,639)	(8,973)	(3,592)	(375)	—	(599)	—	—	(21,468)	(10,899)
Transfers	261,927	22,714	2,791	—	—	—	—	—	—	—	(264,718)	(22,714)	—	—
At 31 December	683,674	327,640	309,020	299,643	1,177,116	941,343	27,177	15,485	14,959	14,365	94,106	251,808	2,305,962	1,850,284
Accumulated depreciation:														
At 1 January	25,491	16,527	163,413	133,662	271,567	188,095	7,611	5,153	11,391	10,127	—	—	479,473	353,564
Provided during the year	10,624	8,964	27,487	30,401	114,883	86,389	3,488	2,817	2,352	1,852	—	—	158,834	130,423
Written back on disposals	—	—	(3,061)	(650)	(3,533)	(2,917)	(3,208)	(359)	—	(588)	—	—	(9,802)	(4,514)
At 31 December	36,115	25,491	187,839	163,413	382,917	271,567	7,891	7,611	13,743	11,391	—	—	628,505	479,473
Net book value	647,559	302,149	121,181	136,230	794,199	669,776	19,286	7,874	1,216	2,974	94,106	251,808	1,677,457	1,370,811

The Group's leasehold land and buildings are situated in the PRC and are held under medium term leases.

As at 31 December 2004, the leasehold land and buildings included certain buildings with a net book value of RMB235 million (2003: RMB88 million) for which the Group is still in the process of obtaining the building ownership certificates. These buildings are erected on lands for 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. In addition, the Group did not obtain the building ownership certificates for certain of its leasehold buildings amounting to approximately RMB59 million (2003: Nil) at net book value situated on the land assigned by an independent third party. As confirmed by the Group's legal advisors, the Group obtained the right to use the land legally by way of such assignment. Once the Group has obtained all relevant certificates, the Group has the right to assign, lease or mortgage these buildings.

During the year, certain buildings with net book value of approximately RMB13.9 million were pledged to a bank for the negotiation of a banking facility. Subsequent to the balance sheet date, the director decided not to obtain such facility and the uplift of the charges on those buildings was in progress. Subsequent to the balance sheet date, certain leasehold land with net book value of approximately RMB17,979,000 were pledged as security for a banking facility of RMB20,700,000 granted to the Group.

During the year, the local government of Dezhou of Shandong Province, granted a land use right to the Group at nil consideration for the establishment of Dezhou Jinluo.

16. DEPOSITS

The amount represented the Group's deposits paid for the acquisition of fixed assets as at 31 December 2004.

17. INVENTORIES

	Group	
	2004 RMB'000	2003 RMB'000
Raw materials	74,317	39,666
Finished goods	219,673	301,233
	293,990	340,899

No significant amounts of inventories included in the above amount were carried at net realisable value as at 31 December 2004 (2003: Nil).

18. TRADE DEBTORS

	Group	
	2004 RMB'000	2003 RMB'000
Trade debtors	110,289	535,238
Less: Provision for doubtful debts	(20,946)	(27,300)
	89,343	507,938

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

	Group	
	2004 RMB'000	2003 RMB'000
At 1 January	27,300	25,400
Provision/(write-back of provision) during the year	(6,354)	1,900
At 31 December	20,946	27,300

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

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18. TRADE DEBTORS (Continued)

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

	Group	
	2004 RMB'000	2003 RMB'000
Current-30 days	51,465	330,212
31–60 days	20,621	127,997
61–90 days	3,178	51,697
Over 90 days	35,025	25,332
	110,289	535,238

19. CASH AND BANK BALANCES

As at 31 December 2004, the Group had cash and bank balances deposited in the banks in the PRC denominated in RMB amounted to approximately RMB1,039,562,000 (2003: RMB170,876,000). 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.

20. TRADE CREDITORS

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

	Group	
	2004 RMB'000	2003 RMB'000
Current–30 days	64,533	57,556
31–60 days	26,591	14,729
61–90 days	8,177	2,700
Over 90 days	16,939	—
	116,240	74,985

The trade creditors of the Group included trading balance due to an associate, Linyi Shansong, of approximately RMB3,743,000 (2003: Nil). This balance is unsecured, interest-free and repayable in accordance with normal trading terms.

21. ACCRUALS AND OTHER CREDITORS

	Group		Company	
	2004 RMB'000	2003 RMB'000	2004 RMB'000	2003 RMB'000
Accruals	32,855	55,359	—	625
Other creditors	37,116	44,358	—	—
	69,971	99,717	—	625

22. INTEREST-BEARING BANK LOANS

The Group's bank loans are unsecured, bear interest ranging from 5% to 6% (2003: 5% to 6%) per annum and repayable within one year.

23. SHARE CAPITAL

	Company	
	2004 RMB'000	2003 RMB'000
Authorised:		
4,000,000,000 (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 (2003: 1,133,324,723) ordinary shares of HK$0.50 each	603,343	603,343

24. STATUTORY RESERVE

In accordance with relevant PRC regulations, the relevant subsidiaries and associates of the Company, 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.

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25. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

During the year, deposits of RMB166,461,000 paid in 2003 for the acquisition of fixed assets were capitalised as fixed assets.

26. 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.

26. SEGMENT INFORMATION (Continued)

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.

For the financial year ended 31 December 2004

	Fresh and frozen meat products RMB'000	Processed meat products RMB'000	Consolidated RMB'000
Segment revenue	4,286,851	2,245,224	6,532,075
Segment net profit	520,076	348,827	868,903
Unallocated corporate expenses			(139,288)
Interest income and unallocated revenue			16,706
Profit from operating activities			746,321
Finance costs			(12,704)
Share of profits less losses of associates			21,838
Profit before tax			755,455
Tax			(139,212)
Net profit from ordinary activities attributable to shareholders			616,243
As at 31 December 2004			
Segment assets	1,034,681	965,868	2,000,549
Unallocated corporate assets			1,612,276
Consolidated total assets			3,612,825
Segment liabilities	65,944	87,892	153,836
Unallocated corporate liabilities			250,344
Consolidated total liabilities			404,180
Capital expenditure	244,568	232,578	477,146
Depreciation	73,580	85,254	158,834
Write-back of provision for doubtful debts	(2,495)	(3,859)	(6,354)

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26. SEGMENT INFORMATION (Continued)

For the financial year ended 31 December 2003

	Fresh and frozen meat products RMB'000	Processed meat products RMB'000	Consolidated 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
Provision/(write-back of provision) for doubtful debts	1,927	(27)	1,900

27. COMMITMENTS

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

	2004 RMB'000	2003 RMB'000
(a) Capital commitments:		
Contracted, but not provided for:		
Buildings	65,413	71,611
Plant and machinery	34,795	19,033
	100,208	90,644
Authorised, but not contracted for in respect of the acquisition of fixed assets	—	104,235
	100,208	194,879

In addition to the above, certain associates of the Group had outstanding capital commitments in aggregate of approximately RMB3,559,000 (2003: Nil) and RMB1,725,000 (2003: Nil) as at the balance sheet date in respect of plant and machinery and leasehold buildings situated in the PRC, respectively. In the opinion of the management, the purchase of plant and machinery and construction of leasehold buildings will be financed by bank borrowings instead of internal financial resources.

(b) Operating lease commitments:

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

	2004 RMB'000	2003 RMB'000
Within one year	6,130	7,690
In the second to fifth years, inclusive	19,270	28,923
After five years	56,774	65,708
	82,174	102,321

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 one to twenty years (2003: one to twenty 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 RMB3.1 million (2003: RMB1.2 million) in respect of contingent rental expenses under that lease.

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

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28. FINANCIAL INSTRUMENTS

At 31 December 2004, 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 22.

(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.

(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.

29. RELATED PARTIES/RELATED PARTY TRANSACTIONS

(a) 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 and associates of the Company, the particulars of which are set out in note 13 and 14 to the financial statements, respectively, 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.

29. RELATED PARTIES/RELATED PARTY TRANSACTIONS (Continued)

(b) Related party transactions

During the period from the Completion Date to 31 December 2004, the Group 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.

Except for the foregoing, the directors confirm that there were no other related party transactions during the year under review.

30. POST BALANCE SHEET EVENT

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

Pursuant to a board resolution passed on 28 February 2005, a final dividend of RMB0.112 per ordinary share, amounting to approximately RMB126,932,000, was proposed by the Company and will be submitted for formal approval at the forthcoming Annual General Meeting.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 February 2005.