



# PEOPLE'S FOOD HOLDINGS LIMITED

大众食品控股有限公司\*

*(incorporated in Bermuda with limited liability)*

(Stock Code: 708)

## ANNUAL RESULTS

**For the year ended 31 December 2005**

The following announcement is made by the Company pursuant to

- (A) Rule 13.49(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") representing the annual results of the Company, its subsidiaries and associates for the year ended 31 December 2005; and
- (B) Rule 13.09(2) of the Listing Rules which is a reproduction of the announcement made by the Company regarding the annual results of the Company, its subsidiaries and associates for the year ended 31 December 2005 pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited.

A. Disclosure under Rule 13.49(1)

## RESULTS

The Board of Directors ("Board") of People's Food Holdings Limited (the "Company") is pleased to announce the audited results of the Company, its subsidiaries and associates (the "Group") for the year ended 31 December 2005, together with the comparative figures for the previous corresponding period, are as follows:

# INCOME STATEMENTS

Year ended 31 December 2005

	Notes	Group		Increase/ (Decrease) %	Company		Increase/ (Decrease) %
		2005 RMB'000	2004 RMB'000		2005 RMB'000	2004 RMB'000	
Revenue		<b>7,667,114</b>	6,532,075	17.4	<b>459,213</b>	226,312	102.9
Cost of sales		<b>(6,709,580)</b>	(5,455,267)	23.0	<b>—</b>	<b>—</b>	—
<b>Gross profit</b>		<b>957,534</b>	1,076,808	(11.1)	<b>459,213</b>	226,312	102.9
Other income		<b>12,699</b>	16,706	(24.0)	<b>2,489</b>	318	682.7
Selling and distribution costs		<b>(120,337)</b>	(157,108)	(23.4)	<b>—</b>	<b>—</b>	—
Administrative expenses		<b>(95,685)</b>	(175,978)	(45.6)	<b>(15,657)</b>	(6,204)	152.4
Other operating expenses		<b>(789)</b>	(14,107)	(94.4)	<b>—</b>	<b>—</b>	—
<b>Profit from operating activities</b>	(4)	<b>753,422</b>	746,321	1.0	<b>446,045</b>	220,426	102.4
Finance costs	(5)	<b>(10,274)</b>	(12,704)	(19.1)	<b>—</b>	<b>—</b>	—
Share of profits of associates		<b>95,461</b>	21,838	337.1	<b>—</b>	<b>—</b>	—
Gain on deemed disposal of associates		<b>78,376</b>	<b>—</b>	NM	<b>—</b>	<b>—</b>	—
<b>Profit before tax</b>		<b>916,985</b>	755,455	21.4	<b>446,045</b>	220,426	102.4
Tax	(6)	<b>(180,219)</b>	(139,212)	29.5	<b>—</b>	<b>—</b>	—
<b>Profit for the year</b>		<b>736,766</b>	616,243	19.6	<b>446,045</b>	220,426	102.4
DIVIDENDS	(7)	<b>426,132</b>	235,731	80.8	<b>426,132</b>	235,731	80.8
EARNINGS PER SHARE	(8)						
Basic		<b>RMB0.65</b>	RMB0.54	20.4	<b>N/A</b>	N/A	
Diluted		<b>N/A</b>	N/A		<b>N/A</b>	N/A	

# CONSOLIDATED BALANCE SHEET

As at 31 December 2005

	<b>Group</b>	
	<b>31.12.2005</b>	31.12.2004
<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS AND LIABILITIES</b>		
<b>NON-CURRENT ASSETS</b>		
Interests in associates	419,076	245,239
Property, plant and equipment	2,333,599	1,677,457
Deposits	<u>8,055</u>	<u>33,775</u>
	<u>2,760,730</u>	<u>1,956,471</u>
<b>CURRENT ASSETS</b>		
Inventories	880,942	293,990
Trade debtors	(9) 24,420	89,343
Deposits, prepayments and other receivables	2,336	23,603
Cash and bank balances	<u>327,758</u>	<u>1,249,418</u>
	<u>1,235,456</u>	<u>1,656,354</u>
<b>TOTAL ASSETS</b>	<b>3,996,186</b>	<b>3,612,825</b>
<b>CURRENT LIABILITIES</b>		
Trade creditors	75,599	116,240
Accruals and other creditors	196,611	69,971
Interest-bearing bank loans	180,000	180,000
Provision for tax	<u>52,554</u>	<u>37,969</u>
	<u>504,764</u>	<u>404,180</u>
<b>NET CURRENT ASSETS</b>	<u>730,692</u>	<u>1,252,174</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>3,491,422</u>	<u>3,208,645</u>
<b>EQUITY</b>		
Issued capital	601,753	603,343
Proposed final dividend	111,902	126,932
Reserves	<u>2,777,767</u>	<u>2,478,370</u>
<b>TOTAL EQUITY</b>	<u>3,491,422</u>	<u>3,208,645</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Issued	Share	Capital	Statutory	Retained	Proposed	Total
	capital	premium	redemption	reserves	profits	dividend	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 2)	(Note 2)	(Note 1, 2)	(Note 2)		
Balance at 1 January 2004	603,343	557,229	—	141,069	1,399,560	92,933	2,794,134
Dividend paid — 2003 Final	—	—	—	—	—	(92,933)	(92,933)
Net profit for the year	—	—	—	—	594,405	—	594,405
— company and subsidiaries	—	—	—	—	21,838	—	21,838
— associates	—	—	—	—	—	—	—
Transfer to statutory reserves	—	—	—	63,037	(63,037)	—	—
— subsidiaries	—	—	—	2,184	(2,184)	—	—
— associates	—	—	—	—	—	—	—
Dividend paid — 2004 Interim	—	—	—	—	(108,799)	—	(108,799)
Proposed dividend — 2004 Final	—	—	—	—	(126,932)	126,932	—
<b>Balance at 31 December 2004</b>	<b>603,343</b>	<b>557,229</b>	<b>—</b>	<b>206,290</b>	<b>1,714,851</b>	<b>126,932</b>	<b>3,208,645</b>
<b>Represented by:</b>							
Company and subsidiaries	603,343	557,229	—	204,106	1,695,197	126,932	3,186,807
Associates	—	—	—	2,184	19,654	—	21,838
<b>As at 31 December 2004</b>	<b>603,343</b>	<b>557,229</b>	<b>—</b>	<b>206,290</b>	<b>1,714,851</b>	<b>126,932</b>	<b>3,208,645</b>
Balance at 1 January 2005	603,343	557,229	—	206,290	1,714,851	126,932	3,208,645
Dividend paid — 2004 Final	—	—	—	—	—	(126,932)	(126,932)
Repurchases of shares	(1,590)	(11,237)	—	—	—	—	(12,827)
Transfer to capital redemption reserve	—	—	1,590	—	(1,590)	—	—
Net profit for the year	—	—	—	—	641,305	—	641,305
— company and subsidiaries	—	—	—	—	95,461	—	95,461
— associates	—	—	—	—	—	—	—
Transfer to statutory reserves	—	—	—	27,896	(27,896)	—	—
— subsidiaries	—	—	—	9,546	(9,546)	—	—
— associates	—	—	—	—	—	—	—
Dividend paid — 2005 Interim	—	—	—	—	(314,230)	—	(314,230)
Proposed dividend — 2005 Final	—	—	—	—	(111,902)	111,902	—
<b>Balance at 31 December 2005</b>	<b>601,753</b>	<b>545,992</b>	<b>1,590</b>	<b>243,732</b>	<b>1,986,453</b>	<b>111,902</b>	<b>3,491,422</b>
<b>Represented by:</b>							
Company and subsidiaries	601,753	545,992	1,590	232,002	1,880,884	111,902	3,374,123
Associates	—	—	—	11,730	105,569	—	117,299
<b>As at 31 December 2005</b>	<b>601,753</b>	<b>545,992</b>	<b>1,590</b>	<b>243,732</b>	<b>1,986,453</b>	<b>111,902</b>	<b>3,491,422</b>

## Notes:

- In accordance with relevant regulations in the People's Republic of China ("PRC"), the Group's wholly owned subsidiaries: Linyi Xincheng Jinluo Meat Products Co., Ltd ("Linyi Xincheng"), Linyi Minsheng Food Development Co., Ltd ("Linyi Minsheng"), Tongliao Jinluo Food Co., Ltd ("Tongliao Jinluo"), Xiangtan Jinluo Food Co., Ltd ("Xiangtan Jinluo"), Meishan Jinluo Food Co., Ltd ("Meishan Jinluo"), Daqing Jinluo Meat Products Co., Ltd ("Daqing Jinluo"), Qiqihaer Jinluo Meat Products Co., Ltd. ("Qiqihaer Jinluo"), Dezhou Jinluo Meat Products Co., Ltd. ("Dezhou Jinluo") and Changchun Jinluo Meat Products Co., Ltd ("Changchun Jinluo"), and an associate of the Group: Linyi Shansong Biological Products Company Limited ("Linyi Shansong") being wholly foreign-owned enterprises 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.
- As at 31 December 2005, these reserve accounts comprised the consolidated reserves of approximately RMB2,777,767,000 (31 December 2004: approximately RMB2,478,370,000) in the consolidated balance sheet.

## NOTES:

### 1. Impact of new and revised International Financial Reporting Standards and International Accounting Standards

The following new and revised International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) are relevant to the Group’s operations for accounting periods beginning on 1 January 2005.

IAS 16 (revised)	Property, Plant and Equipment
IAS 19 (revised)	Employee Benefits
IAS 21 (revised)	The Effects of Changes in Foreign Exchange Rates

The new and revised IFRS and IAS prescribe new accounting measurement and disclosure practices. The new and revised IFRS and IAS have had no significant impact to the financial statements.

The Group has not early adopted the following Standards or Interpretations that have been issued but are not yet effective. The adoption of such Standards and Interpretations will not result in substantial changes to the Group’s accounting policies.

IAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
IAS 19 (Amendment)	Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures
IAS 21 (Amendment)	The Effect of Changes in Foreign Exchange Rates
IAS 39 (Amendment)	Financial Instrument: Recognition and Measurement — Cash Flow Hedge Accounting of Forecast Intragroup Transactions
IAS 39 (Amendment)	Financial Instrument: Recognition and Measurement — The Fair Value Option
IAS 39 (Amendment)	Financial Instrument: Recognition and Measurement
IFRS 4 (Amendment)	Insurance Contracts: Financial Guarantee Contracts
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments — Disclosures
IFRIC 4	Determining whether an Arrangement contains A Lease
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities Arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment
IFRIC 8	Scope of IFRS 2 — Share-based Payment

### 2. Principal accounting policies

The Group has adopted the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2004.

### 3. Revenue and segment information

Turnover comprises revenue which 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 PRC.

A further analysis of the Group’s revenue by products is set out in “Management Discussion and Analysis”.

For the financial year ended 31 December 2005

	<b>Fresh and frozen meat products RMB'000</b>	<b>Processed meat products RMB'000</b>	<b>Consolidated RMB'000</b>
Segment revenue	<u>5,014,022</u>	<u>2,653,092</u>	<u>7,667,114</u>
Segment net profit	<u>515,566</u>	<u>339,288</u>	854,854
Unallocated corporate expenses			(114,131)
Interest income and unallocated revenue			<u>12,699</u>
Profit from operating activities			753,422
Finance costs			(10,274)
Share of profits of associates			95,461
Gain on deemed disposal of associates			<u>78,376</u>
Profit before tax			916,985
Tax			<u>(180,219)</u>
Profit for the year			<u>736,766</u>

As at 31 December 2005

	<b>Fresh and frozen meat products RMB'000</b>	<b>Processed meat products RMB'000</b>	<b>Consolidated RMB'000</b>
Segment assets	1,675,701	1,488,889	3,164,590
Unallocated corporate assets			<u>831,596</u>
Consolidated total assets			<u>3,996,186</u>
Segment liabilities	59,735	83,166	142,901
Unallocated corporate liabilities			<u>361,863</u>
Consolidated total liabilities			<u>504,764</u>
Capital expenditure	<u>459,295</u>	<u>365,471</u>	<u>824,766</u>
Depreciation	<u>74,408</u>	<u>90,942</u>	<u>165,350</u>
Write back of allowance for irrecoverable trade debtors	<u>(5,158)</u>	<u>(2,730)</u>	<u>(7,888)</u>

#### 4. Profit from operating activities

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

	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Cost of inventories sold	6,709,580	5,455,267
Depreciation	165,350	158,834
Research and development costs	<u>5,459</u>	<u>12,073</u>
Write back of allowance for irrecoverable trade debtors	(7,888)	(6,354)
Interest income	<u>(3,381)</u>	<u>(8,377)</u>

#### 5. Finance costs

	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Interest expenses on bank loans, wholly repayable within five years	<u>10,274</u>	<u>12,704</u>

#### 6. Tax

	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
PRC	<u>180,219</u>	<u>139,212</u>

In accordance with various approval documents issued by the State Tax Bureau and the Local Tax Bureau of PRC, the Group's operating subsidiaries Linyi Xincheng, Linyi Minsheng, Tongliao Jinluo, Meishan Jinluo, Daqing Jinluo, Qiqihaer Jinluo, Dezhou Jinluo and Changchun Jinluo being wholly-owned subsidiaries of the Company, established as wholly foreign-owned enterprises ("WOFEs") in the PRC, are entitled to an exemption from PRC state and local corporate income tax for 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, 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 years of its operations and thereafter to 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 (2004: 33%).

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% of 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% of for the three financial years from 1 January 2004 to 31 December 2006.

The two years' tax exemption periods for Tongliao Jinluo and Meishan Jinluo commenced in the financial year ended 31 December 2003 under local jurisdiction and upon the expiry of two years' tax exemption periods in the financial year ended 31 December 2004, Tongliao Jinluo and Meishan Jinluo are subject to the reduced tax rate of 18% for the three financial years from 1 January 2005 to 31 December 2007.

The two years' tax exemption periods for Xiangtan Jinluo commenced in the financial year ended 31 December 2003 under local jurisdiction and upon the expiry of two years' tax exemption periods in the financial year ended 31 December 2004, Xiangtan Jinluo is subject to the reduced tax rate of 18% for the six financial years from 1 January 2005 to 31 December 2010.

The two years' tax exemption periods for Qiqihaer Jinluo has commenced during the year under local jurisdiction.

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

The two years' tax exemption periods for Changchun Jinluo has not yet commenced as it did not generate any net assessable profits attributable to its operations in the PRC during the year.

## 7. Dividends

	Group		Company	
	2005	2004	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend — RMB0.099 per share (2004: RMB0.112 per share)	<b>111,902</b>	126,932	<b>111,902</b>	126,932
Interim dividend — RMB0.278 per share (2004: RMB0.096 per share)	<b>314,230</b>	108,799	<b>314,230</b>	108,799
	<b><u>426,132</u></b>	<u>235,731</u>	<b><u>426,132</u></b>	<u>235,731</u>

A final dividend of RMB0.099 per ordinary share (2004: RMB0.112 per ordinary share), amounting to approximately RMB111,902,000 (2004: RMB126,932,000), 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.

## 8. Earnings per share

	2005	2004
	<i>RMB'000</i>	<i>RMB'000</i>
Basic	<b><u>RMB0.65</u></b>	<u>RMB0.54</u>
Diluted	<u>N/A</u>	<u>N/A</u>

Basic earnings per share is calculated based on the Group's profit for the year of approximately RMB736,766,000 (2004: approximately RMB616,243,000) divided by the weighted average number of 1,131,590,476 ordinary shares of HK\$0.50 each (2004: 1,133,324,723 ordinary shares of HK\$0.5 each) in issue during the financial year.

Diluted earnings per share for the years ended 31 December 2005 and 2004 have not been calculated as no diluting events existed during these years.

## 9. Trade debtors

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

	2005 <i>RMB'000</i>	2004 <i>RMB'000</i>
Current–30 days	20,050	51,465
31–60 days	730	20,621
61–90 days	146	3,178
Over 90 days	<u>3,494</u>	<u>14,079</u>
	<u><u>24,420</u></u>	<u><u>89,343</u></u>

An allowance for impairment has been made for estimated irrecoverable amounts from the sales of goods of RMB13,058,000 (2004: RMB20,946,000). The Group's management ("Management") determines the allowance for irrecoverable trade debtors. This estimate is based on the credit history of the Group's customers, past default experience and the current market condition. The Management will reassess the estimations at the balance sheet dates.

## MANAGEMENT DISCUSSION AND ANALYSIS

### General

Founded in 1994, the Company and its subsidiaries is one of the leading producers of fresh and frozen meat and processed meat products in the PRC. The Group currently operates nine production bases, respectively in Linyi and Dezhou of Shandong Province, Meishan of Sichuan Province, Xiangtan of Hunan Province, Tongliao of Inner Mongolia Autonomous Region, Daqing, Qiqihaer and Xinglong of Heilongjiang Province and Shangqiu of Henan Province.

The Group had announced in June 2005 the construction of a new production plant in Jiutai of Jilin Province. This plant will have an annual pig slaughtering capacity of approximately 250,000 tonnes, chicken slaughtering capacity of approximately 90,000 tonnes, High Temperature Meat Products of approximately 30,000 tonnes, Low Temperature Meat Products of approximately 30,000 tonnes and Fresh Pork production capacity of approximately 100,000 tonnes per annum. The construction of Jiutai plant has progressed as scheduled at the end of 2005 and the management expects commissioning of the plant in the second half of 2006.

The Group's meat products are distributed primarily in the PRC and marketed under the "Jinluo" brand name and trade mark.

## REVIEW OF OPERATIONS

Set out below is a breakdown of the Group's revenue, profit before tax by products for the year ended 31 December 2005 and 2004:

	Year ended 31.12.2005		Year ended 31.12.2004		% Change
	RMB'000	% of total	RMB'000	% of total	
<b>Revenue</b>					
Frozen Pork	1,881,312	24.5%	1,551,189	23.7%	21.3%
Fresh Pork	1,564,292	20.4%	1,124,525	17.2%	39.1%
High Temperature Meat Products ("HTMP")	2,031,146	26.5%	1,775,559	27.2%	14.4%
Low Temperature Meat Products ("LTMP")	621,946	8.1%	469,665	7.2%	32.4%
Pig By products	1,457,173	19.0%	1,494,420	22.9%	-2.5%
Frozen Chicken	111,245	1.5%	116,717	1.8%	-4.7%
	<u>7,667,114</u>	100.0%	<u>6,532,075</u>	100.0%	17.4%
<b>Profit before tax and Share of profits of associates and Gain on deemed disposals of associates</b>					
Frozen Pork	161,620	21.8%	133,057	18.1%	21.5%
Fresh Pork	174,884	23.5%	171,114	23.3%	2.2%
HTMP	208,787	28.1%	222,634	30.4%	-6.2%
LTMP	90,541	12.2%	77,478	10.6%	16.9%
Pig By products	103,603	13.9%	124,944	17.0%	-17.1%
Frozen Chicken	3,713	0.5%	4,390	0.6%	-15.4%
	<u>743,148</u>	100.0%	<u>733,617</u>	100.0%	1.3%

Compared to 2004, the Group's revenue increased by 17.4% from RMB6.53 billion to RMB7.67 billion. This increase was attributable to improved contribution from its production plants.

### Revenue

#### *HTMP*

Sales of HTMP increased by 14.4%, from RMB1.78 billion to RMB2.03 billion and was mainly attributable to higher market demand for the Group's HTMP.

#### *Fresh Pork and LTMP*

Sales of Fresh Pork and LTMP continue to grow, increasing respectively by 39.1% and 32.4%. Sales of Fresh Pork in 2005 was RMB1.56 billion as compared to RMB1.12 billion in 2004, whilst sales of LTMP was RMB621.9 million as compared to RMB469.7 million, due to higher market demand.

### *Frozen Pork and Pig By products*

Sales of Frozen Pork increased by 21.3% to RMB1.88 billion from RMB1.55 billion whilst sale of Pig By products decreased slightly by 2.5% from RMB1.49 billion to RMB1.46 billion. The fall was due to higher market demand for Fresh Pork and LTMP.

### **Gross Profit**

Gross Profit in 2005 was RMB957.5 million, a decline of 11.1% from RMB1.08 billion in 2004.

The reduction in Gross Profit in 2005 was due partially to depreciation charges of approximately RMB34 million re-allocated to cost of sales and the adjustment in the selling price of products of RMB65 million to reflect self collection by bulk buyers.

### **Expenses**

Selling and distribution costs decreased by 23.4% to RMB120.3 million from RMB157.1 million due to the change in distribution method in which most bulk buyers are responsible for collection of goods. Administrative expenses were reduced to RMB95.7 million in 2005, due partly to stringent cost controls and partly to lower depreciation charged attributable to administrative expenses following an amount of approximately RMB34 million charged to cost of sales, on a review of assets allocated for production purposes. Other operating expenses fell sharply as a result of lower research and development expenditure and write back of allowance for irrecoverable trade debtors.

### **Share of profits of associates**

Net profit of the Group's associate company, Pine Agritech Limited ("Pine") reached RMB234.6 million in 2005. The Group's share of profits from associates saw a contribution of RMB95.5 million in 2005.

### **Gain on deemed disposals of associates**

The listing of Pine on 12 May 2005 on the Mainboard of The Singapore Exchange Securities Trading Limited ("SGX-ST") resulted in a gain of RMB78.4 million, being the gain on gross dilution of the Group's shareholding in Pine from 49.0% to 36.75%.

### **Profit for the year**

The Group's profit for the year increased by 19.6% to RMB736.8 million from RMB616.2 million.

### **Employees**

As at 31 December 2005, the total number of employees of the Group was approximately 18,330 (2004: 18,190) with total staff costs amounting to RMB317.2 million (2004: RMB191.9 million).

The remuneration of the employees of the Group includes salaries, bonuses and other fringe benefits. The Group has different rates of remuneration for different employees to be determined based on their performance, experience, position and other factors in compliance with the relevant PRC laws and regulations.

In the 2005, the Group continued to provide its employees with opportunities to acquire skills in relation to computer technologies and business administration and provided training on the latest developments in computer technologies, personal development, laws, regulations and economics.

## **Gearing Ratio**

As at 31 December 2005, the gearing ratio of the Group was 5.2 per cent (2004: 5.6 per cent.), which was computed by dividing the total amount of bank loans, by the equity of the Group as at 31 December 2005.

## **Contingent Liabilities**

As at 31 December 2005, the Group had no material contingent liabilities (31 December 2004: Nil).

## **PROSPECTS**

For 2006, Management will continue to focus on sales and marketing efforts, purchase integration and the expansion of production scale and markets. The Group will continue to expand geographically in the PRC and to develop higher value products to grow and improve its margins.

Management will continue to closely monitor livestock-related diseases and maintain its strict quality control and quarantine procedures to safeguard and protect its operations.

## **VOLUNTARY WITHDRAWAL OF LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

As had been previously announced, the Company is in the process of making arrangements for a voluntary withdrawal of listing on the Main Board of The Stock Exchange of Hong Kong Limited (“HKSE”).

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the year, the Company repurchased a total of 3,000,000 of its ordinary shares of HK\$0.50 each at a price of S\$0.8628 (approximately RMB4.2643) per share on SGX-ST. The aggregate consideration including related expenses amounted to RMB12.8 million in cash. Saved as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s shares. 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 SGX-ST. The policy sets out the implications of insider dealing 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.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company’s bye-laws although there are no restrictions against such rights under the laws of Bermuda.

## **AUDIT COMMITTEE**

The Group’s financial results for the year ended 31 December 2005 have been reviewed by the Audit Committee of the Company.

## **COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE AND MODEL CODE**

In the opinion of the directors, the Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the HKSE (the “HKSE Listing Rules”), except that the independent non-executive directors of the Company are not appointed for a specific term as required by paragraph A.4 of the Code, but are subject to retirement and re-election in accordance with the bye-laws of the Company. The Company has adopted procedures governing directors’ securities transactions in compliance with the Model Code as set out in Appendix 10 of the HKSE Listing Rules.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to ascertain voting entitlements, the register of members will be closed from 26 April 2006 to 28 April 2006 (both days inclusive) during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Singapore Share Transfer Agent, Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08 Ocean Building, Singapore 049315 not later than 5:00 p.m. on 25 April 2006 in Singapore OR the Company's Hong Kong Branch Share Registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 25 April 2006 in Hong Kong. In order to ascertain dividend entitlements, the register of members will be closed on 19 May 2006. All transfers accompanied by the relevant share certificates must be lodged with the Company's Singapore Share Transfer Agent, Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08 Ocean Building, Singapore 049315 not later than 5:00 p.m. on 18 May 2006 in Singapore OR the Company's Hong Kong Branch Share Registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 18 May 2006 in Hong Kong.

## **PUBLICATION OF INFORMATION ON THE EXCHANGE'S WEBSITE**

The annual report of the Company, which will contain all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the HKSE Listing Rules will be subsequently published on the website of the HKSE (<http://www.hkex.com.hk>) in due course.

By order of the Board  
**People's Food Holdings Limited**  
**Ming Kam Sing**  
*Chairman*

Hong Kong, 21 February 2006

*\* For identification purpose only*

*As at the date of this announcement, the board of directors of the Company comprises of Mr. Ming Kam Sing, Mr. Zhou Lian Kui and Mr. Zhou Lian Liang being the Executive Directors, and Mr. Chng Hee Kok, Mr. Chan Kin Sang and Dr. Ow Chin Hock being the Independent Non-Executive Directors.*

B. Disclosure under rule 13.09(2)

## FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

### PART I — INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	<i>Notes</i>	Year ended <b>31.12.2005</b> <i>RMB'000</i> Audited	Year ended <b>31.12.2004</b> <i>RMB'000</i> Audited	Increase/ (Decrease) %
Revenue	(1)	<b>7,667,114</b>	6,532,075	17.4
Cost of sales	(2)	<u><b>(6,709,580)</b></u>	<u>(5,455,267)</u>	23.0
<b>Gross profit</b>		<b>957,534</b>	1,076,808	(11.1)
Other income		<b>12,699</b>	16,706	(24.0)
Selling and distribution costs	(3)	<b>(120,337)</b>	(157,108)	(23.4)
Administrative expenses	(4)	<b>(95,685)</b>	(175,978)	(45.6)
Other operating expenses		<u><b>(789)</b></u>	<u>(14,107)</u>	(94.4)
<b>Profit from operating activities</b>		<b>753,422</b>	746,321	1.0
Finance costs		<b>(10,274)</b>	(12,704)	(19.1)
Share of profits of associates		<b>95,461</b>	21,838	337.1
Gain on deemed disposal of associates		<u><b>78,376</b></u>	<u>—</u>	NM
<b>Profit before tax</b>		<b>916,985</b>	755,455	21.4
Tax		<u><b>(180,219)</b></u>	<u>(139,212)</u>	29.5
<b>Profit for the year</b>		<u><b>736,766</b></u>	<u>616,243</u>	19.6
<b>DIVIDENDS</b>		<u><b>426,132</b></u>	<u>235,731</u>	80.8
<b>EARNINGS PER SHARE</b>				
Basic		<u><b>RMB0.65</b></u>	<u>RMB0.54</u>	20.4
Diluted		<u><b>N/A</b></u>	<u>N/A</u>	

NM: Not Meaningful

Notes:

A further analysis of the Group's revenue by products is set out in Item (13).

2005 compared to 2004

- (1) Selling prices adjusted by approximately 1.5% or RMB65 million to reflect collection of goods by bulk buyers.
- (2) Cost of sales included an amount of approximately RMB34 million being a reallocation of depreciation charges from administrative expenses
- (3) Selling and distribution costs decreased due to the change in distribution method in which most bulk buyers are responsible for collection of goods.
- (4) Administrative expenses were lower due partly to a reallocation of depreciation charges (approximately RMB34 million) to cost of sales.

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Notes	Group		Company	
		31.12.2005	31.12.2004	31.12.2005	31.12.2004
		RMB'000	RMB'000	RMB'000	RMB'000
		Audited	Audited	Audited	Audited
<b>ASSETS AND LIABILITIES</b>					
<b>NON-CURRENT ASSETS</b>					
Investments in subsidiaries		—	—	497,043	497,043
Interests in associates		419,076	245,239	—	—
Property, plant and equipment		2,333,599	1,677,457	—	—
Deposits		8,055	33,775	—	—
		<u>2,760,730</u>	<u>1,956,471</u>	<u>497,043</u>	<u>497,043</u>
<b>CURRENT ASSETS</b>					
Inventories	(1)	880,942	293,990	—	—
Trade debtors		24,420	89,343	—	—
Due from subsidiaries		—	—	1,081,765	842,804
Deposits, prepayments and other receivables		2,336	23,603	—	—
Cash and bank balances	(2)	327,758	1,249,418	24	51
		<u>1,235,456</u>	<u>1,656,354</u>	<u>1,081,789</u>	<u>842,855</u>
<b>TOTAL ASSETS</b>		<b>3,996,186</b>	<b>3,612,825</b>	<b>1,578,832</b>	<b>1,339,898</b>
<b>CURRENT LIABILITIES</b>					
Trade creditors		75,599	116,240	—	—
Accruals and other creditors		196,611	69,971	3,246	—

Due to a subsidiary	—	—	<b>402,765</b>	159,133
Interest-bearing bank loans	<b>180,000</b>	180,000	—	—
Provision for tax	<b>52,554</b>	37,969	—	—
	<b>504,764</b>	404,180	<b>406,011</b>	159,133
<b>NET CURRENT ASSETS</b>	<b>730,692</b>	1,252,174	<b>675,778</b>	683,722
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>3,491,422</b>	3,208,645	<b>1,172,821</b>	1,180,765
<b>EQUITY</b>				
Issued capital	<b>601,753</b>	603,343	<b>601,753</b>	603,343
Proposed final dividend	<b>111,902</b>	126,932	<b>111,902</b>	126,932
Reserves	<b>2,777,767</b>	2,478,370	<b>459,166</b>	450,490
<b>TOTAL EQUITY</b>	<b>3,491,422</b>	3,208,645	<b>1,172,821</b>	1,180,765

*Note:*

2005 compared to 2004

- (1) Higher levels of inventories were held in 2005 due mainly to higher production output from production plants to meet higher seasonal demand for the Group's products.
- (2) The increase in inventories and payment of the 2004 final dividend and 2005 interim dividend had an impact on the Group's cash flow in 2005.

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.**

*Amount repayable in one year or less, or on demand*

<b>As at 31.12.2005</b>		<b>As at 31.12.2004</b>	
<b>Secured RMB'000</b>	<b>Unsecured RMB'000</b>	<b>Secured RMB'000</b>	<b>Unsecured RMB'000</b>
<b>NIL</b>	<b>180,000</b>	<b>NIL</b>	<b>180,000</b>

*Amount repayable after one year*

<b>As at 31.12.2005</b>		<b>As at 31.12.2004</b>	
<b>Secured RMB'000</b>	<b>Unsecured RMB'000</b>	<b>Secured RMB'000</b>	<b>Unsecured RMB'000</b>
<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>

*Details of any collateral*

Not applicable

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	<b>Group</b>	
	<b>Year</b>	<b>Year ended</b>
	<b>ended</b>	<b>31.12.2004</b>
	<b>31.12.2005</b>	<b>31.12.2004</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>Audited</b>	<b>Audited</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	<b>916,985</b>	755,455
Adjustments for:		
Depreciation	<b>165,350</b>	158,834
Loss on disposal of property, plant and equipment	<b>3,218</b>	8,388
Interest expenses	<b>10,274</b>	12,704
Interest income	<b>(3,381)</b>	(8,377)
Share of profits of associates	<b>(95,461)</b>	(21,838)
Gain on deemed disposal of associates	<b>(78,376)</b>	—
	<u><b>918,609</b></u>	<u>905,166</u>
<b>Operating profit before working capital changes</b>		
Decrease in trade debtors	<b>64,923</b>	418,595
(Increase)/decrease in inventories	<b>(586,952)</b>	46,909
Decrease/(increase) in deposits, prepayments and other receivables	<b>21,267</b>	(14,734)
(Decrease)/increase in trade creditors	<b>(40,641)</b>	41,255
Increase/(decrease) in accruals and other creditors	<b>126,640</b>	(29,746)
	<u><b>503,846</b></u>	<u>1,367,445</u>
<b>Cash generated from operations</b>		
Interest paid	<b>(10,274)</b>	(12,704)
Interest received	<b>3,381</b>	8,377
Tax paid	<b>(165,634)</b>	(135,243)
	<u><b>331,319</b></u>	<u>1,227,875</u>
<b>Net cash generated from operating activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(790,991)</b>	(310,685)
Proceeds from disposal of property, plant and equipment	<b>56</b>	3,278
Deposits paid for acquisition of property, plant and equipment	<b>(8,055)</b>	(33,775)
Decrease in time deposits with original maturity of more than three months when acquired	<b>72,500</b>	522,940
Acquisition of associates	<b>—</b>	(223,401)
	<u><b>(726,490)</b></u>	<u>(41,643)</u>
<b>Net cash used in investing activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of bank loans	<b>180,000</b>	180,000
Repayment of bank loans	<b>(180,000)</b>	(200,000)
Dividends paid	<b>(441,162)</b>	(201,732)
Repurchases of shares	<b>(12,827)</b>	—
	<u><b>(180,000)</b></u>	<u>(200,000)</u>

**Net cash used in financing activities** (453,989) (221,732)

**NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS**

**NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** **(849,160)** 964,500  
**Cash and cash equivalents at beginning of year** **1,176,918** 212,418

**CASH AND CASH EQUIVALENTS AT END OF YEAR** **327,758** 1,176,918

**ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS**

**Cash and bank balances** **327,758** 1,249,418  
**Time deposits with original maturity of more than three months when acquired** — (72,500)

**Cash and cash equivalents at end of year** **327,758** 1,176,918

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Group	Issued capital	Share premium account	Capital redemption reserve	Statutory reserves	Retained profits	Proposed dividend	Total
	RMB'000	RMB'000 (Note 2)	RMB'000 (Note 2)	RMB'000 (Note 1, 2)	RMB'000 (Note 2)	RMB'000	RMB'000
Balance at 1 January 2004	603,343	557,229	—	141,069	1,399,560	92,933	2,794,134
Dividend paid — 2003 Final	—	—	—	—	—	(92,933)	(92,933)
Net profit for the year							
— company and subsidiaries	—	—	—	—	594,405	—	594,405
— associates	—	—	—	—	21,838	—	21,838
Transfer to statutory reserves							
— subsidiaries	—	—	—	63,037	(63,037)	—	—
— associates	—	—	—	2,184	(2,184)	—	—
Dividend paid — 2004 Interim	—	—	—	—	(108,799)	—	(108,799)
Proposed dividend — 2004 Final	—	—	—	—	(126,932)	126,932	—
<b>Balance at 31 December 2004</b>	<b><u>603,343</u></b>	<b><u>557,229</u></b>	<b><u>—</u></b>	<b><u>206,290</u></b>	<b><u>1,714,851</u></b>	<b><u>126,932</u></b>	<b><u>3,208,645</u></b>
<b>Represented by:</b>							
Company and subsidiaries	<b>603,343</b>	<b>557,229</b>	<b>—</b>	<b>204,106</b>	<b>1,695,197</b>	<b>126,932</b>	<b>3,186,807</b>
Associates	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>2,184</u></b>	<b><u>19,654</u></b>	<b><u>—</u></b>	<b><u>21,838</u></b>
<b>As at 31 December 2004</b>	<b><u>603,343</u></b>	<b><u>557,229</u></b>	<b><u>—</u></b>	<b><u>206,290</u></b>	<b><u>1,714,851</u></b>	<b><u>126,932</u></b>	<b><u>3,208,645</u></b>
Balance at 1 January 2005	603,343	557,229	—	206,290	1,714,851	126,932	3,208,645
Dividend paid — 2004 Final	—	—	—	—	—	(126,932)	(126,932)
Repurchases of shares	(1,590)	(11,237)	—	—	—	—	(12,827)
Transfer to capital redemption reserve	—	—	1,590	—	(1,590)	—	—
Net profit for the year							
— company and subsidiaries	—	—	—	—	641,305	—	641,305
— associates	—	—	—	—	95,461	—	95,461
Transfer to statutory reserve							
— subsidiaries	—	—	—	27,896	(27,896)	—	—

— associates	—	—	—	9,546	(9,546)	—	—
Dividend paid — 2005 Interim	—	—	—	—	(314,230)	—	(314,230)
Proposed dividend — 2005 Final	—	—	—	—	(111,902)	111,902	—
	—	—	—	—	—	—	—
Balance at 31 December 2005	<u>601,753</u>	<u>545,992</u>	<u>1,590</u>	<u>243,732</u>	<u>1,986,453</u>	<u>111,902</u>	<u>3,491,422</u>
<b>Represented by:</b>							
<b>Company and subsidiaries</b>	<b>601,753</b>	<b>545,992</b>	<b>1,590</b>	<b>232,002</b>	<b>1,880,884</b>	<b>111,902</b>	<b>3,374,123</b>
<b>Associates</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>11,730</b>	<b>105,569</b>	<b>—</b>	<b>117,299</b>
<b>As at 31 December 2005</b>	<b><u>601,753</u></b>	<b><u>545,992</u></b>	<b><u>1,590</u></b>	<b><u>243,732</u></b>	<b><u>1,986,453</u></b>	<b><u>111,902</u></b>	<b><u>3,491,422</u></b>

Company	Issued	Share	Capital	Accumulated	Proposed	Total
	capital	premium	redemption			
	RMB'000	account	reserve	RMB'000	RMB'000	RMB'000
		(Note 2)	(Note 2)	(Note 2)		
Balance at 1 January 2004	603,343	557,229	—	(91,434)	92,933	1,162,071
Dividend paid — 2003 Final	—	—	—	—	(92,933)	(92,933)
Net profit for the year	—	—	—	220,426	—	220,426
Dividend paid — 2004 Interim	—	—	—	(108,799)	—	(108,799)
Proposed dividend — 2004 Final	—	—	—	(126,932)	126,932	—
Balance at 31 December 2004	<u>603,343</u>	<u>557,229</u>	<u>—</u>	<u>(106,739)</u>	<u>126,932</u>	<u>1,180,765</u>
Balance at 1 January 2005	603,343	557,229	—	(106,739)	126,932	1,180,765
Dividend paid — 2004 Final	—	—	—	—	(126,932)	(126,932)
Repurchases of shares	(1,590)	(11,237)	—	—	—	(12,827)
Transfer to capital redemption reserve	—	—	1,590	(1,590)	—	—
Net profit for the year	—	—	—	446,045	—	446,045
Dividend paid — 2005 Interim	—	—	—	(314,230)	—	(314,230)
Proposed dividend — 2005 Final	—	—	—	(111,902)	111,902	—
Balance at 31 December 2005	<u>601,753</u>	<u>545,992</u>	<u>1,590</u>	<u>(88,416)</u>	<u>111,902</u>	<u>1,172,821</u>

*Notes:*

- In accordance with relevant regulations in PRC, the Group's wholly owned subsidiaries: Linyi Xincheng, Linyi Minsheng, Tongliao Jinluo, Xiangtan Jinluo, Meishan Jinluo, Daqing Jinluo, Qiqihaer Jinluo, Dezhou Jinluo and Changchun Jinluo, and an associate of the Group: Linyi Shansong being wholly foreign-owned enterprises 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.
- As at 31 December 2005, these reserve accounts comprised the consolidated reserves of approximately RMB2,777,767,000 (31 December 2004: approximately RMB2,478,370,000) in the consolidated balance sheet. As at 31 December 2005, these reserve accounts of the Company comprised the Company's reserves of approximately RMB459,166,000 (31 December 2004: approximately RMB450,490,000) in the Company's balance sheet.

1(d)(ii) **Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

During the year, the Company repurchased a total of 3,000,000 of its ordinary shares of HK\$0.50 each at a price of S\$0.8628 (approximately RMB4.2643) per share on SGX-ST. The aggregate consideration including related expenses amounted to RMB12.8 million in cash. Saved as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The financial statements for the year ended 31 December 2005 which have been prepared in accordance with International Financial Reporting Standards have been audited by Grant Thornton in accordance with the International Standards on Auditing.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

The financial statements for the year ended 31 December 2005 which have been prepared in accordance with International Financial Reporting Standards have been audited by Grant Thornton and no qualification or emphasis of matter were noted in their report. (Please refer to attached Report of the Auditors)

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The following new and revised International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") are relevant to the Group's operations for accounting periods beginning on 1 January 2005.

IAS 16 (revised)	Property, Plant and Equipment
IAS 19 (revised)	Employee Benefits
IAS 21 (revised)	The Effects of Changes in Foreign Exchange Rates

The new and revised IFRS and IAS prescribe new accounting measurement and disclosure practices. The new and revised IFRS and IAS have had no significant impact to the financial statements.

The Group has not early adopted the following Standards or Interpretations that have been issued but are not yet effective. The adoption of such Standards and Interpretations will not result in substantial changes to the Group's accounting policies.

IAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
IAS 19 (Amendment)	Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures
IAS 21 (Amendment)	The Effect of Changes in Foreign Exchange Rates
IAS 39 (Amendment)	Financial Instrument: Recognition and Measurement — Cash Flow Hedge Accounting of Forecast Intragroup Transactions

IAS 39 (Amendment)	Financial Instrument: Recognition and Measurement — The Fair Value Option
IAS 39 (Amendment)	Financial Instrument: Recognition and Measurement
IFRS 4 (Amendment)	Insurance Contracts: Financial Guarantee Contracts
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments — Disclosures
IFRIC 4	Determining whether an Arrangement contains A Lease
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities Arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment
IFRIC 8	Scope of IFRS 2 — Share-based Payment

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Please refer to Item (4) above.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

<b>Group</b>	
<b>Year</b>	
<b>ended</b>	Year ended
<b>31.12.2005</b>	31.12.2004
<b>RMB'000</b>	RMB'000
<b>Audited</b>	Audited

Earnings per ordinary share of the Group:

(a) Based on weighted average number of ordinary shares on issue; and	<b>RMB0.65</b>	RMB0.54
(b) On a fully diluted basis	<b>N/A</b>	N/A

Basic earnings per share for the year ended 31 December 2005 is calculated based on the Group's profit for the year of approximately RMB736,766,000 (2004: approximately RMB616,243,000) divided by the weighted average number of 1,131,590,476 ordinary shares of HK\$0.50 each (2004: 1,133,324,723 ordinary shares of HK\$0.50 each) in issue during the financial year.

Diluted earnings per share for the year ended 31 December 2005 and 2004 have not been calculated as no diluting events existed during these years.

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:**

- (a) current financial period reported on; and  
(b) immediately preceding financial year.

	<b>Group</b>		<b>Company</b>	
	<b>31.12.2005</b>	31.12.2004	<b>31.12.2005</b>	31.12.2004
	<b>Audited</b>	Audited	<b>Audited</b>	Audited
Net asset value per ordinary share based on issued share capital at the end of:	<b>RMB3.09</b>	RMB2.83	<b>RMB1.04</b>	RMB1.04

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

## **GENERAL**

Founded in 1994, the Company and its subsidiaries is one of the leading producers of fresh and frozen meat and processed meat products in the PRC. The Group currently operates nine production bases, respectively in Linyi and Dezhou of Shandong Province, Meishan of Sichuan Province, Xiangtan of Hunan Province, Tongliao of Inner Mongolia Autonomous Region, Daqing, Qiqihaer and Xinglong of Heilongjiang Province and Shangqiu of Henan Province.

The Group had announced in June 2005 the construction of a new production plant in Jiutai of Jilin Province. This plant will have an annual pig slaughtering capacity of approximately 250,000 tonnes, chicken slaughtering capacity of approximately 90,000 tonnes, High Temperature Meat Products of approximately 30,000 tonnes, Low Temperature Meat Products of approximately 30,000 tonnes and Fresh Pork production capacity of approximately 100,000 tonnes per annum. The construction of Jiutai plant has progressed as scheduled at the end of 2005 and the management expects commissioning of the plant in the second half of 2006.

The Group's meat products are distributed primarily in the PRC and marketed under the "Jinluo" brand name and trade mark.

## **RESULTS OF OPERATIONS**

### **Revenue**

Compared to 2004, the Group's revenue increased by 17.4% from RMB6.53 billion to RMB7.67 billion. This increase was attributable to improved contribution from its production plants.

#### *HTMP*

Sales of HTMP increased by 14.4%, from RMB1.78 billion in 2004 to RMB2.03 billion in 2005 and was mainly attributable to higher market demand for the Group's HTMP.

### *Fresh Pork and LTMP*

Sales of Fresh Pork and LTMP continue to grow, increasing respectively by 39.1% and 32.4%. Sales of Fresh Pork in 2005 was RMB1.56 billion as compared to RMB1.12 billion in 2004, whilst sales of LTMP was RMB621.9 million as compared to RMB469.7 million, due to higher market demand.

### *Frozen Pork and Pig By products*

Sales of Frozen Pork increased by 21.3% to RMB1.88 billion from RMB1.55 billion whilst sale of Pig By products decreased slightly by 2.5% from RMB1.49 billion to RMB1.46 billion. The fall was due to higher market demand for Fresh Pork and LTMP.

## **Gross Profit**

Gross Profit in 2005 was RMB957.5 million, a decline of 11.1% from RMB1.08 billion in 2004. The reduction in Gross Profit in 2005 was due partially to depreciation charges of approximately RMB34 million re-allocated to cost of sales and the adjustment in the selling price of products of RMB65 million to reflect self collection by bulk buyers.

## **Expenses**

Selling and distribution costs decreased by 23.4% to RMB120.3 million from RMB157.1 million due to the change in distribution method in which most bulk buyers are responsible for collection of goods. Administrative expenses were reduced to RMB95.7 million in 2005, due partly to stringent cost controls and partly to lower depreciation charged attributable to administrative expenses following an amount of approximately RMB34 million charged to cost of sales, on a review of assets allocated for production purposes. Other operating expenses fell sharply as a result of lower research and development expenditure and write back of allowance for irrecoverable trade debtors.

## **Tax**

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, Daqing Jinluo, Tongliao Jinluo, Meishan Jinluo, Qiqihaer Jinluo, Dezhou Jinluo and Changchun Jinluo, being wholly-owned subsidiaries of the Company, established as wholly foreign-owned enterprises ("WOFEs") in the PRC, are entitled to an exemption from the PRC state and local corporate income tax of the first two profitable financial years of its 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, 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 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 (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 (2004: 33%).

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% of 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% of for the three financial years from 1 January 2004 to 31 December 2006.

The two years' tax exemption periods for Tongliao Jinluo and Meishan Jinluo commenced in the financial year ended 31 December 2003 under local jurisdiction and upon the expiry of two years' tax exemption periods in the financial year ended 31 December 2004, Tongliao Jinluo and Meishan Jinluo are subject to the reduced tax rate of 18% for the three financial years from 1 January 2005 to 31 December 2007.

The two years' tax exemption periods for Xiangtan Jinluo commenced in the financial year ended 31 December 2003 under local jurisdiction and upon the expiry of two years' tax exemption periods in the financial year ended 31 December 2004, Xiangtan Jinluo is subject to the reduced tax rate of 18% for the six financial years from 1 January 2005 to 31 December 2010.

The two years' tax exemption periods for Qiqihaer Jinluo has commenced during the year under local jurisdiction.

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

The two years' tax exemption periods for Changchun Jinluo has not yet commenced as it did not generate any net assessable profits attributable to its operations in the PRC during the year.

### **Share of profits of associates**

Net profit of the Group's associate company, Pine Agritech Limited ("Pine") reached RMB234.6 million in 2005. The Group's share of profits from associates saw a contribution of RMB95.5 million in 2005.

### **Gain on deemed disposals of associates**

The listing of Pine on 12 May 2005 on The Mainboard of the SGX-ST resulted in a gain of RMB78.4 million, being the gain on gross dilution of the Group's shareholding in Pine from 49.0% to 36.75%.

### **Profit for the year**

The Group's profit for the year increased by 19.6% to RMB736.8 million from RMB616.2 million.

- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Not applicable

- 9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable

- 10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

For 2006, Management will continue to focus on sales and marketing efforts, purchase integration and the expansion of production scale and markets. The Group will continue to expand geographically in the PRC and to develop higher value products to grow and improve its margins.

Management will continue to closely monitor livestock-related diseases and maintain its strict quality control and quarantine procedures to safeguard and protect its operations.

## 11. Dividend

### (a) *Current Financial Period Reported On*

***Any dividend declared for the current financial period reported on? YES***

<b>Name of Dividend</b>	<b>Interim</b>	<b>Final</b>
Dividend Type	Ordinary	Ordinary
Dividend Amount per Share (tax not applicable)	RMB0.278	RMB0.099
Par value of shares	HK\$0.50	HK\$0.50
Tax Rate	Not applicable	Not applicable

### (b) *Corresponding Period of the Immediately Preceding Financial Year*

***Any dividend declared for the corresponding period of the immediately preceding financial year? YES***

<b>Name of Dividend</b>	<b>Interim</b>	<b>Final</b>
Dividend Type	Ordinary	Ordinary
Dividend Amount per Share (tax not applicable)	RMB0.096	RMB0.112
Par value of shares	HK\$0.50	HK\$0.50
Tax Rate	Not applicable	Not applicable

### (c) *Date payable*

The aforementioned final dividend will be payable on 8 June 2006 to shareholders on record as at 18 May 2006. 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).

### (d) *Books closure date*

In order to ascertain voting entitlements, the register of members will be closed from 26 April 2006 to 28 April 2006 (both days inclusive) during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Singapore Share Transfer Agent, Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08 Ocean Building, Singapore 049315 not later than 5:00 p.m. on 25 April 2006 in Singapore OR the Company's Hong Kong Branch Share Registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 25 April 2006 in Hong Kong.

In order to ascertain dividend entitlements, the register of members will be closed on 19 May 2006. All transfers accompanied by the relevant share certificates must be lodged with the Company's Singapore Share Transfer Agent, Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08 Ocean Building, Singapore 049315 not later than 5:00 p.m. on 18 May 2006 in Singapore OR the Company's Hong Kong Branch Share Registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on 18 May 2006 in Hong Kong.

**12. If no dividend has been declared/recommended, a statement to that effect.**

Not applicable

**PART II — ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

**(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Please see below for the revenue and profit before tax by products.

	Year ended		Year ended		
	31.12.2005	% of total	31.12.2004	% of total	% Change
	<i>RMB'000</i>		<i>RMB'000</i>		
<b>Revenue</b>					
Frozen Pork	1,881,312	24.5%	1,551,189	23.7%	21.3%
Fresh Pork	1,564,292	20.4%	1,124,525	17.2%	39.1%
HTMP	2,031,146	26.5%	1,775,559	27.2%	14.4%
LTMP	621,946	8.1%	469,665	7.2%	32.4%
Pig By products	1,457,173	19.0%	1,494,420	22.9%	-2.5%
Frozen Chicken	<u>111,245</u>	1.5%	<u>116,717</u>	1.8%	-4.7%
	<u>7,667,114</u>	100.0%	<u>6,532,075</u>	100.0%	17.4%
<b>Profit before tax and Share of profits of associates and Gain on deemed disposals of associates</b>					
Frozen Pork	161,620	21.8%	133,057	18.1%	21.5%
Fresh Pork	174,884	23.5%	171,114	23.3%	2.2%
HTMP	208,787	28.1%	222,634	30.4%	-6.2%
LTMP	90,541	12.2%	77,478	10.6%	16.9%
Pig By products	103,603	13.9%	124,944	17.0%	-17.1%
Frozen Chicken	<u>3,713</u>	0.5%	<u>4,390</u>	0.6%	-15.4%
	<u>743,148</u>	100.0%	<u>733,617</u>	100.0%	1.3%

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

As discussed in Item (8) above

**15. A breakdown of sales.**

Refer to Item (13) above

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

*Total Annual Dividend (Refer to Para 16 of Appendix 7.2 for the required details)*

	<b>Latest Full Year (RMB'000)</b>	<b>Previous Full Year (RMB'000)</b>
Ordinary	426,132	235,731
Preference	<u>N/A</u>	<u>N/A</u>
Total:	<u><u>426,132</u></u>	<u><u>235,731</u></u>

**17. Voluntary withdrawal of listing on the Main Board of The Stock Exchange of Hong Kong Limited**

As had been previously announced, the Company is in the process of making arrangements for a voluntary withdrawal of listing on the Main Board of The Stock Exchange of Hong Kong Limited.

**BY ORDER OF THE BOARD**

**MING KAM SING**

**CHAIRMAN**

**21 February 2006**

*Please also refer to the published version of this announcement in **China Daily**.*