

Report of the Directors

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

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

LISTING

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

RESULTS AND DIVIDENDS

Details of the results of the Company and the Group for the year ended 31 December 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 36 to 39.

An interim dividend of RMB0.278 per ordinary share was declared on 4 August 2005 and paid on 13 September 2005. The Directors have proposed that a final dividend of RMB0.099 per ordinary share amounting to approximately RMB111,902,000 be paid for the year ended 31 December 2005.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 80 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

No subsidiary was acquired or disposed of during the year.

The listing of Pine Agritech Limited ("Pine") on 12 May 2005 on the Mainboard of 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%.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and associates are set out in the notes 13 and 14 to the financial statements respectively.

ISSUE OF SHARES AND DEBENTURES

During the year, 長春金鑼肉製品有限公司 (“Changchun Jinluo”), and Hong Kong Jinluo Company Limited (“HK Jinluo”), being wholly-owned subsidiaries of the Company, were established as a wholly foreign-owned enterprise in the People’s Republic of China and a limited company in Hong Kong respectively. The registered capital of Changchun Jinluo amounted to US\$5,000,000 and the issued capital of HK Jinluo amounted to US\$100,000 and were paid up in full during the year.

Save as disclosed above, none of the Company and its subsidiaries issued any shares or increased their registered capital during the year.

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

SHARE CAPITAL AND SHARE OPTIONS

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

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

BANK BORROWINGS

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased a total of 3,000,000 of its ordinary shares 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 listed securities during the year.

The Company has issued a policy on dealing in the Company’s shares to employees of the Company pursuant to the Best Practice Guide issued by 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.

MATERIAL MOVEMENTS OR TRANSFERS IN RESERVES AND PROVISIONS

Details of movements in the reserves of the Company and the Group during the year are set out in the statements of changes in equity on page 38 and 39 respectively.

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

DISTRIBUTABLE RESERVES

At 31 December 2005, the Company's reserves available for distribution, calculated in accordance with the provision of laws of Bermuda, amounted to approximately RMB23,486,000. The balance of approximately RMB545,992,000 in the share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for approximately 3% of the Group's consolidated revenue. In addition, the five largest suppliers of the Group accounted for approximately 6% of the Group's consolidated purchases for the year. Sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total sales and total purchases, respectively, for the year.

BAD DEBTS AND ALLOWANCE FOR IRRECOVERABLE TRADE DEBTORS

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

At the date of this report, the Directors are not aware of any circumstances which would render any amount written off of bad debts or allowance for irrecoverable trade debtors in the Group inadequate to any substantial extent.

CURRENT ASSETS

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

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

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

Subsequent to the balance sheet date, and up to the date of this report, no charge on the assets of the Company or any companies in the Group has arisen which would secure the liabilities of any other person and no contingent liability has arisen.

ABILITY TO MEET OBLIGATIONS

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

OTHER CIRCUMSTANCES AFFECTING THE FINANCIAL STATEMENTS

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

UNUSUAL ITEMS

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

UNUSUAL ITEMS AFTER THE FINANCIAL YEAR

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

POST BALANCE SHEET EVENTS

Save as disclosed in the financial statements, there were no other significant post balance sheet events.

DIRECTORS

The Directors during the year were:

Executive Directors:

Ming Kam Sing
Zhou Lian Kui
Zhou Lian Liang

Non-executive and independent Directors:

Chng Hee Kok
Chan Kin Sang
Ow Chin Hock

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

In accordance with Bye-law 86(1) of the Company's Bye-laws, Mr. Chan Kin Sang and Dr. Ow Chin Hock will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from each of its non-executive and independent director and still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

SHARE OPTION SCHEME

The Company does not operate any share option scheme.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, the only Directors who held office at the end of the financial year and who had an interest in shares or debentures of the Company or its related corporations either on 1 January 2005, or on 31 December 2005, or on 21 January 2006, were as follows:

As at 1 January 2005

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

As at 31 December 2005

Name of Director	Direct interest	Deemed interest
	<i>Ordinary shares of HK\$0.50 each of the Company</i>	
Ming Kam Sing (note i)	—	525,975,306
Zhou Lian Kui (note i)	10,666,624	525,975,306
Chng Hee Kok	50,000	—

As at 21 January 2006

Name of Director	Direct interest	Deemed interest
	<i>Ordinary shares of HK\$0.50 each of the Company</i>	
Ming Kam Sing (note i)	—	525,975,306
Zhou Lian Kui (note i)	10,666,624	525,975,306
Chng Hee Kok	50,000	—

Notes:

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

Directors' Interests

As at 31 December 2005, the interests and short position of the Directors in the shares, debentures and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which will have to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to be under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the HKSE pursuant to the Model code for Securities Transactions by Directors of the Listed Companies in the Rules Governing the HKSE Listing Rules, were as follows:

Name of Director	Number of shares held and nature of interest		
	Personal	Corporate	Total
	<i>Ordinary shares of HK\$0.50 each of the Company</i>		
Ming Kam Sing	—	525,975,306*(L)	525,975,306(L)
Zhou Lian Kui	10,666,624(L)	—	10,666,624(L)
Chng Hee Kok	50,000(L)	—	50,000(L)

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

Notes: (L) — Long Position

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2005, so far as was known to the Directors, the following companies or persons had an interest or short position in the shares and the underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of shares held	Approximate Percentage of shareholding
Ming Kam Sing (Note 1)	525,975,306(L)	46.53%(L)
Maleque Limited (Note 2)	525,975,306(L)	46.53%(L)
J.P. Morgan Chase & Co.	68,202,000(L)	6.03%(L)
	19,822,000(P)	1.75%(P)
J.P. Morgan Fleming Asset Management (Asia) Inc.	72,878,000(L)	6.45%(L)
J.P. Morgan Fleming Asset Management Holdings Inc.	75,433,000(L)	6.67%(L)
JF Asset Management Limited	72,418,000(L)	6.41%(L)
Templeton Asset Management Limited	56,636,000(L)	5.01%(L)
Templeton Investment Counsel, LLC	70,009,000(L)	6.19%(L)

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

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

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

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

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

CONNECTED/INTERESTED PERSON/RELATED PARTY TRANSACTIONS

In compliance with the HKSE Listing Rules, the rules of the SGX-ST and International Financial Reporting Standards, the Directors of the Company confirmed that there were no connected, interested person or related party transactions during the year under the review, except that during the year, the Group (i) had purchased raw materials of approximately RMB202,564,000 (2004: RMB78,261,000) from Linyi Shansong Biological Products Company Limited ("Linyi Shansong"), an associate of the Group; (ii) supplied utilities of approximately RMB9,801,000 (2004: Nil) to Linyi Shansong and (iii) incurred rental expense of approximately RMB25,000 (2004: Nil) to Linyi Shansong. The Directors confirm that all of these transactions were carried out in the ordinary and usual course of business of the Group.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTERESTS IN CONTRACTS

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

AUDIT COMMITTEE, NOMINATING COMMITTEE AND REMUNERATION COMMITTEE

Details of the Company’s audit committee, nominating committee and remuneration committee are set out in Statement of the Corporate Governance in pages 10 to 14.

AUDITORS

Ernst & Young were the auditors of the Company for the years ended 31 December 2003 and 2004. The financial statements of the Company for those years were audited by Ernst & Young.

On 28 April 2005, Grant Thornton were appointed as the Company’s auditors in place of the retiring auditors, Ernst & Young. The financial statements of the Company for the year ended 31 December 2005 were audited by Grant Thornton, who will retire and a resolution to re-appoint Grant Thornton as auditors of the Company will be proposed at the forthcoming annual general meeting.

OTHER INFORMATION REQUIRED BY THE SGX-ST

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

On Behalf of the Board,

Ming Kam Sing
Chairman

Zhou Lian Kui
Executive Director

Hong Kong
21 February 2006