Notes to the Financial Statements

for the year ended 31 December 2005

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").

On 9 December 2005, the Company submitted an application to the HKSE for the voluntary withdrawal of the listing of the Company's shares on the HKSE, further details of which are set out in the Company's announcement dated 9 December 2005.

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.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to the Group's operations and effective for accounting periods beginning on 1 January 2005.

The adoption of these new and revised Standards and Interpretations did not result in significant alternations to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these standards and interpretations did not result in any significant changes to the amounts or disclosures in these 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.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IAS 1 (Amendment)	Capital Disclosures[5]
IAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
IAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates[2]
IAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
IAS 39 (Amendment)	The Fair Value Option[2]
IFRS 4 & IAS 39 (Amendment)	Financial Guarantee Contracts[2]
IFRS 6	Exploration for and Evaluation of Mineral Resources[2]
IFRS 7	Financial Instruments — Disclosures[5]
IFRIC 4	Determining whether an Arrangement contains a Lease[2]
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
IFRIC 6	Liabilities arising from Participation in a Specific Market — Waste Electrical and Electronic Equipment[1]
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies[3]
IFRIC 8	Scope of IFRS 2[4]

Notes:

1. Effective for annual periods beginning on or after 1 December 2005.
2. Effective for annual periods beginning on or after 1 January 2006.
3. Effective for annual periods beginning on or after 1 March 2006.
4. Effective for annual periods beginning on or after 1 May 2006.
5. Effective for annual periods beginning on or after 1 January 2007.

3. SUMMARY OF ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with IFRSs.

The Group's operations are principally conducted in the PRC. Accordingly, the consolidated financial statements have been presented in Renminbi ("RMB"), being the functional and presentation currency of all principal companies in the Group.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries for the year, after the elimination of all material intercompany transactions and balances. 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.

(c) 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.

(d) 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 income statement on the straight-line basis over the lease terms.

Land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

(e) 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.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment

Property, plant and equipment, 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 property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement 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 an item of property, plant and equipment and the expenditure of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment 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 an item of property, plant and equipment recognised in the income statement is the difference between the sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment 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 property, plant and equipment when completed and ready for use.

(g) Impairment of assets

The Group's goodwill and property, plant and equipment are subject to impairment testing. 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 income statement.

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.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

(g) Impairment of assets (Continued)

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 income statement.

(h) 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.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. Investments in subsidiaries are stated at cost less any impairment losses.

(i) 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 income statement 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.

(j) 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 ACCOUNTING POLICIES (Continued)

(j) Goodwill (Continued)

For the purpose of impairment testing, 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.

(k) 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.

(l) Trade and other creditors

Trade and other creditors are recognised initially at fair value and subsequently measured at amortised cost less settlement payments.

(m) Trade and other debtors

Trade and other debtors are recognised initially at fair value, and are subsequently measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(n) 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.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

(n) Provisions and contingencies (Continued)

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.

(o) 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.

(p) 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 income statement 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 income statement 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.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

(q) 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 or substantively enacted at the balance sheet date.

(r) Foreign currencies

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

In the consolidated financial statements, all separate financial statements of subsidiaries originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rate at the balance sheet date. Income and expenses have been converted into the Group's presentation currency at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the currency translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into RMB at the closing rates.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

(s) Research and development costs

All research costs are charged to the income statement 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 deferred 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 2005 and 2004, all research and development costs incurred were not significant to the Group and were charged to the income statement in the years when they were incurred.

(t) Related parties

A party is considered to be related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Company/Group; (ii) has an interest in the Company that gives it significant influence over the Company/Group; or (iii) has joint control over the Company/Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Company or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Company/Group, or of any entity that is a related party of the Company/Group.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

(u) Dividends

Final dividends proposed by the directors are classified as an allocation of retained profits on a separate line within the equity 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.

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.

(v) Cash and cash equivalents

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 sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(w) Loans and borrowings

Loans and borrowings are recognised initially at fair value, net of transactions costs incurred. Loans and borrowings are subsequently stated at amortised cost using the effective interest method.

4. REVENUE

Revenue comprises turnover 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.

An analysis of the Group's revenue is as follows:

	Group	
	2005	2004
	RMB'000	RMB'000
Revenue:		
Turnover — Sale of goods	**7,667,114**	6,532,075
Other income:		
Interest income	**3,381**	8,377
Others	**9,318**	8,329
	12,699	16,706

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

The turnover of the Company for the years ended 31 December 2005 and 2004 represents dividend income from its subsidiaries.

5. PROFIT FROM OPERATING ACTIVITIES

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

	Group		Company	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Cost of inventories sold	6,709,580	5,455,267	—	—
Depreciation	165,350	158,834	—	—
Operating lease rentals on land and buildings	14,301	9,003	—	—
Staff costs (excluding directors' remuneration (note 7)#)	317,249	191,879	785	785
Less: Retirement scheme contributions	(16,443)	(9,947)	—	—
Amount included in research and development costs below	(2,364)	(3,928)	—	—
	298,442	178,004	785	785
Retirement scheme contributions	16,443	9,947	—	—
Research and development costs*	5,459	12,073	—	—
Write back of allowance for irrecoverable trade debtors*	(7,888)	(6,354)	—	—
Loss on disposal of property, plant and equipment*	3,218	8,388	—	—
Auditors' remuneration				
— current year's provision	2,000	3,400	—	—
— under-provision in prior year	1,508	—	—	—
	3,508	3,400	—	—
Interest income	(3,381)	(8,377)	—	—

* Research and development costs, write back of allowance for irrecoverbale trade debtors and loss on disposal of property, plant and equipment for the year are included in "Other operating expenses" on the face of the consolidated income statement.

Included compensation of key management personnel of the Group.

6. FINANCE COSTS

	Group		Company	
	2005	2004	**2005**	2004
	RMB'000	RMB'000	**RMB'000**	RMB'000
Interest expenses on bank loans, wholly repayable within five years	**10,274**	12,704	**—**	—

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	
	2005	2004
	RMB'000	RMB'000
Fees	**795**	731
Other emoluments:		
Salaries, allowances and benefits in kind	**6,360**	6,360
Performance related bonuses	**—**	—
Pension scheme contributions	**—**	—
	6,360	6,360
	7,155	7,091

7. DIRECTORS' REMUNERATION (Continued)

The emoluments of each director, on a named basis, for the year ended 31 December 2005 and 2004 are set out below:

	2005					
	Director fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Lump sum ex-gratia payment RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Independent non-executive directors:						
Chng Hee Kok	265	—	—	—	—	265
Chan Kin Sang	265	—	—	—	—	265
Ow Chin Hock	265	—	—	—	—	265
	795	—	—	—	—	795
Executive directors:						
Ming Kam Sing	—	2,120	—	—	—	2,120
Zhou Lian Kui	—	2,120	—	—	—	2,120
Zhou Lian Liang	—	2,120	—	—	—	2,120
	—	6,360	—	—	—	6,360
Total	795	6,360	—	—	—	7,155

7. DIRECTORS' REMUNERATION (Continued)

	2004					
	Director fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Lump sum ex-gratia payment RMB'000	Pensions cheme contributions RMB'000	Total RMB'000
Independent non-executive directors:						
Chng Hee Kok	244	—	—	—	—	244
Chan Kin Sang	244	—	—	—	—	244
Ow Chin Hock	243	—	—	—	—	243
	731	—	—	—	—	731
Executive directors:						
Ming Kam Sing	—	2,120	—	—	—	2,120
Zhou Lian Kui	—	2,120	—	—	—	2,120
Zhou Lian Liang	—	2,120	—	—	—	2,120
	—	6,360	—	—	—	6,360
Total	731	6,360	—	—	—	7,091

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

7. DIRECTORS' REMUNERATION (Continued)

For the years ended 31 December 2005 and 2004, 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 approximately below RMB1,214,000)	—	3	3
S$250,000 to below S$500,000 (equivalent to approximately RMB1,214,000 to approximately below RMB2,429,000)	3	—	3
	3	3	6

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2004: three) Directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining two (2004: two) non-director, highest paid employees are as follows:

	Group	
	2005 RMB'000	2004 RMB'000
Salaries, allowances and benefits in kind	**1,657**	1,694
Pension scheme contributions	**25**	25
	1,682	1,719

The remuneration of each of the two non-director, highest paid employees fell within the band of Nil to HK$1,000,000 (equivalent to approximately Nil to RMB1,041,000).

During the year, no emoluments were paid by the Group to the two non-director, highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

9. TAX

	Group	
	2005	2004
	RMB'000	RMB'000
PRC	**180,219**	139,212

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2004: 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"), 德州金鑼肉製品有限公司 ("Dezhou Jinluo") and 長春金鑼肉製品有限公司 ("Changchun Jinluo"), 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 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 its 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 (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% 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 and Meishan Jinluo commenced in the financial year ended 31 December 2003 under local jurisdiction and upon 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.

9. TAX (Continued)

The two years' tax exemption periods for Xiangtan Jinluo commenced in the financial year ended 31 December 2003 under local jurisdiction and upon 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.

Tax has not been provided by the Company as the Company did not derive any assessable profits during the year (2004: 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	
	2005	2004
	RMB'000	RMB'000
Profit before tax	**916,985**	755,455
Tax at the applicable tax rate of 33%	**302,605**	249,300
Non-taxable and non-deductible items and others, net	**(20,650)**	383
Tax Holiday and Tax Relief of certain WOFEs of the Group	**(70,234)**	(103,265)
Shansong Tax Holiday (defined in note 14)	**(31,502)**	(7,206)
Actual PRC corporate income tax	**180,219**	139,212

10. PROFIT FOR THE YEAR

The profit for the year ended 31 December 2005 dealt with in the financial statements of the Company is approximately RMB446,045,000 (2004: RMB220,426,000).

11. DIVIDENDS

	Group		Company	
	2005 RMB'000	2004 RMB'000	**2005 RMB'000**	2004 RMB'000
The Company				
Proposed final dividend – RMB0.099 per share (2004: RMB0.112 per share)	**111,902**	126,932	**111,902**	126,932
Interim dividend – RMB0.278 per share (2004: RMB0.096 per share)	**314,230**	108,799	**314,230**	108,799
	426,132	235,731	**426,132**	235,731

Subsequent to the balance sheet date, 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.

12. EARNINGS PER SHARE

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$0.50 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.

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005 RMB'000	2004 RMB'000
Unlisted shares, at cost	**497,043**	497,043

The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

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	Particulars of issued/registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Loampit Limited*	British Virgin Islands ("BVI")	200 ordinary shares of US$1 each	100	—	Investment holding
Champ Base Limited*	Hong Kong	100 ordinary shares of HK$1 each	—	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
Changchun Jinluo#* (Note (i))	PRC	US$5,000,000	—	100	Manufacturing and sale of meat products
Hong Kong Jinluo Company Limited#*	Hong Kong	1 ordinary share of US$100,000 each	—	100	Inactive

Newly established/incorporated during the year.

* The financial statements of these subsidiaries are audited by Grant Thornton for statutory purpose or Group consolidation purpose.

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.

(i) Changchun 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 16 May 2005, which may be extended upon approval of the relevant PRC authorities according to PRC laws.

14. INTERESTS IN ASSOCIATES

	Group	
	2005	2004
	RMB'000	RMB'000
Share of net assets other than goodwill	**367,315**	181,880
Goodwill on acquisition	**51,761**	63,359
	419,076	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, 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 the Group's 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 Biological Products Company Limited ("Linyi Shansong"). The principal activities of the Glorious Faith Group mainly consist of the manufacture, development and sales of soy oil, soy meal and soy protein isolates, which are mainly applied as the nutritional supplement for food products, and drinkable soy oligosaccharides, a health-care product registered with the Ministry of Health of the PRC and related products in the PRC.

14. INTERESTS IN ASSOCIATES (Continued)

As part of the restructuring exercise (the "Restructuring Exercise") in preparation for a listing on SGX-ST, on 31 March 2005, Pine Agritech Limited ("Pine Agritech") entered into a share purchase agreement with Glorious Faith and its shareholders (the "Share Purchase Agreement"), whereby Pine Agritech agreed to:

(i) acquire from Glorious Faith the entire issued and paid-up share capital of Rainbow Palace comprising 1 share of par value US$1.00; and

(ii) accept the assignment by Glorious Faith of the outstanding amount of US$26.5 million being due from Rainbow Palace to Glorious Faith,

subject to and upon the terms and conditions of the Share Purchase Agreement (the "Rainbow Palace Acquisition").

The Rainbow Palace Acquisition was completed on 31 March 2005 and the details of the Restructuring Exercise were set out in the prospectus of Pine Agritech dated 3 May 2005.

On 11 May 2005, Pine Agritech issued 150,000,000 new shares of S$0.10 each at S$0.575 per share pursuant to its initial public offering (the "Invitation"). Upon completion of the Invitation, Pine Agritech's issued and fully paid up share capital was increased to S$60,000,000 comprising of 600,000,000 shares of S$0.10 each.

On 12 May 2005, Pine Agritech obtained admission to the Official List in SGX-ST. The listing of Pine Agritech on 12 May 2005 on SGX-ST resulted in a gain of approximately RMB78.4 million recorded by the Group, being the gain on gross dilution of the Group's shareholding in the associates from 49.0% to 36.75%.

The Group's share of the post-acquisition accumulated reserves of associates as at 31 December 2005 amounted to RMB117,299,000 (2004: RMB21,838,000).

In accordance with various approval documents issued by the State Tax Bureau and the Local Tax Bureau of the PRC, Linyi Shansong, an associate of the Group 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 its operations and thereafter a 50% relief from the state corporate income tax of the PRC and exempted from the local corporate income tax of the PRC for the following three financial years. The two years' tax exemption periods for Linyi Shansong commenced in the financial year ended 31 December 2004 under local jurisdiction. Accordingly, Linyi Shansong would be subject to the reduced tax rate of 15% for the three financial years from 1 January 2006 to 31 December 2008 (the "Shansong Tax Holiday").

14. INTERESTS IN ASSOCIATES (Continued)

A summary of the results for the year ended 31 December 2005 and the period ended 31 December 2004, and of the assets and liabilities of the associates at the respective balance date is set out below:

	For the year ended 31 December 2005 RMB'000	For the period from the Completion Date to 31 December 2004 RMB'000
Total revenue	797,035	174,687
Profit for the year/period	234,624	44,568

	At 31 December 2005 RMB'000	At 31 December 2004 RMB'000
Total assets	1,171,090	562,288
Total liabilities	171,594	191,104

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Particulars of issued/ registered capital	Percentage of equity interest indirectly attributable to the Company	Principal activities
Pine Agritech#*	Corporate	Bermuda	600,000,000 ordinary shares of S$0.10 each	36.75%	Investment holding
Rainbow Palace*	Corporate	BVI	1 ordinary share of US$1.00 each	36.75%	Investment holding
Linyi Shansong*	Corporate	PRC	US$54,000,000	36.75%	Manufacture and sale of soybean products

Listed on SGX-ST

* These associates are audited by Grant Thornton for Group consolidation purpose.

The fair value of the Group's 36.75% shareholding in Pine Agritech at 31 December 2005, calculated by reference to the bid price of the trading share of Pine Agritech stated in the quotation from the SGX-ST, is approximately S$ 165,375,000 (equivalent to RMB 803,260,000).

15. PROPERTY, PLANT AND EQUIPMENT — GROUP

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2004							
Cost	327,640	299,643	941,343	15,485	14,365	251,808	1,850,284
Accumulated depreciation	(25,491)	(163,413)	(271,567)	(7,611)	(11,391)	—	(479,473)
Net book amount	302,149	136,230	669,776	7,874	2,974	251,808	1,370,811
Year ended 31 December 2004							
Opening net book amount	302,149	136,230	669,776	7,874	2,974	251,808	1,370,811
Additions	94,107	15,823	244,412	15,284	594	106,926	477,146
Disposals	—	(6,176)	(5,106)	(384)	—	—	(11,666)
Transfers	261,927	2,791	—	—	—	(264,718)	—
Depreciation	(10,624)	(27,487)	(114,883)	(3,488)	(2,352)	—	(158,834)
Closing net book amount	647,559	121,181	794,199	19,286	1,216	94,016	1,677,457
At 31 December 2004							
Cost	683,674	309,020	1,177,116	27,177	14,959	94,016	2,305,962
Accumulated depreciation	(36,115)	(187,839)	(382,917)	(7,891)	(13,743)	—	(628,505)
Net book amount	647,559	121,181	794,199	19,286	1,216	94,016	1,677,457
Year ended 31 December 2005							
Opening net book amount	647,559	121,181	794,199	19,286	1,216	94,016	1,677,457
Additions	—	—	199,783	7,528	1,407	616,048	824,766
Disposals	(1,446)	—	(1,445)	(206)	(177)	—	(3,274)
Transfers	345,183	59,937	—	—	—	(405,120)	—
Depreciation	(21,433)	(32,494)	(104,890)	(4,992)	(1,541)	—	(165,350)
Closing net book amount	969,863	148,624	887,647	21,616	905	304,944	2,333,599
At 31 December 2005							
Cost	1,027,411	368,957	1,371,606	33,619	12,832	304,944	3,119,369
Accumulated depreciation	(57,548)	(220,333)	(483,959)	(12,003)	(11,927)	—	(785,770)
Net book amount	969,863	148,624	887,647	21,616	905	304,944	2,333,599

15. PROPERTY, PLANT AND EQUIPMENT — GROUP (Continued)

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

As at 31 December 2005, the leasehold land and buildings included certain buildings with a net book value of approximately RMB457 million (2004: RMB235 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 RMB72 million (2004: RMB59 million) at net book value situated on the land assigned by certain independent third parties. As confirmed by the Group's legal advisors, the Group obtained the right to use the land legally by way of such assignments. Once the Group has obtained all relevant certificates, the Group has the right to assign, lease or mortgage these buildings.

As at 31 December 2005, the Group did not obtain the building ownership certificates for certain of its leasehold buildings with a net book value of approximately RMB68 million situated on the land in which Linyi Shansong has interest (the "Shansong Land"). Pursuant to the lease agreements entered into between the Group and Linyi Shansong dated 30 November 2005 (the "Shansong Lease Agreements"), the Group obtained the right to use the Shansong Land legally.

16. DEPOSITS

The amount represented the Group's deposits paid for the acquisition of property, plant and equipments as at 31 December 2005.

17. INVENTORIES

	Group	
	2005 RMB'000	2004 RMB'000
Raw materials	118,339	74,317
Finished goods	762,603	219,673
	880,942	293,990

18. TRADE DEBTORS

	Group	
	2005 RMB'000	2004 RMB'000
Trade debtors, net	24,420	89,343

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 bases of determination for an allowance for impairment are set out in note 30.

The Group normally allows credit terms to its trade customers within 30 days (2004: 30 to 60 days).

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

	Group	
	2005 RMB'000	2004 RMB'000
0–30 days	20,050	51,465
31–60 days	730	20,621
61–90 days	146	3,178
Over 90 days	3,494	14,079
	24,420	89,343

19. CASH AND BANK BALANCES

As at 31 December 2005, the Group had cash and bank balances deposited in the banks in the PRC denominated in RMB amounted to approximately RMB234,409,000 (2004: RMB1,039,562,000). 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 aging analysis of the Group's trade creditors as at the balance sheet date is as follows:

	Group	
	2005 RMB'000	2004 RMB'000
0–30 days	**50,692**	64,533
31–60 days	**15,737**	26,591
61–90 days	**3,495**	8,177
Over 90 days	**5,675**	16,939
	75,599	116,240

As at 31 December 2005, the trade creditors of the Group included trading balance due to an associate, Linyi Shansong, of approximately RMBNil (2004: RMB3,743,000). The balance with an associate is unsecured, interest-free and repayable in accordance with the Group's normal trading terms.

21. ACCRUALS AND OTHER CREDITORS

	Group		Company	
	2005 RMB'000	2004 RMB'000	**2005 RMB'000**	2004 RMB'000
Accruals	**66,340**	32,855	**3,246**	—
Other creditors	**130,271**	37,116	**—**	—
	196,611	69,971	**3,246**	—

22. INTEREST-BEARING BANK LOANS

The Group's bank loans are unsecured, bear interest ranging from 5% to 6% (2004: 5% to 6%) per annum and repayable within one year.

23. SHARE CAPITAL

	Company 2005 HK$'000	Company 2004 HK$'000
Authorised:		
4,000,000,000 (2004: 4,000,000,000) ordinary shares of HK$0.50 each	**2,000,000**	2,000,000

	2005 RMB'000	2004 RMB'000
Issued and fully paid:		
1,130,324,723 (2004: 1,133,324,723) ordinary shares of HK$0.50 each	**601,753**	603,343

During the year, the Company repurchased on the SGX-ST a total of 3,000,000 ordinary shares of HK$0.50 each in the capital of the Company (the "Share Repurchase") at S$0.8628 per share, amounted to an aggregate price of approximately S$2,588,000 (equivalent to approximately RMB 12,827,000). The repurchased shares were duly cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium payable on repurchase was charged against the share premium account. An amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to the capital redemption reserve.

Except for the Share Repurchase, there were no changes to the carrying amount or the number of ordinary shares in issue during the year.

A summary of movements in the authorised and issued share capital of the Company is as follows:

	Number of authorised shares	Number of shares issued	Nominal value of shares issued RMB'000
At 1 January 2004, 31 December 2004 and 1 January 2005	4,000,000,000	1,133,324,723	603,343
Repurchased and cancelled	—	(3,000,000)	(1,590)
At 31 December 2005	4,000,000,000	1,130,324,723	601,753

24. STATUTORY RESERVES

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.

25. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

In addition to those disclosed elsewhere in the financial statements, the Group had the following significant non-cash transaction:

During the year, deposits of RMB33,775,000 (2004: RMB166,461,000) paid in prior year for the acquisition of property, plant and equipment were capitalised as property, plant and equipment.

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.

Over 90% 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 2005

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

26. SEGMENT INFORMATION (Continued)

For the financial year ended 31 December 2005

	Fresh and frozen meat products RMB'000	Processed meat products RMB'000	Consolidated RMB'000
As at 31 December 2005			
Segment assets	1,675,701	1,488,889	3,164,590
Unallocated corporate assets			831,596
Consolidated total assets			3,996,186
Segment liabilities	59,735	83,166	142,901
Unallocated corporate liabilities			361,863
Consolidated total liabilities			504,764
Capital expenditure	459,295	365,471	824,766
Depreciation	74,408	90,942	165,350
Write back of allowance for irrecoverable trade debtors	(5,158)	(2,730)	(7,888)

26. SEGMENT INFORMATION (Continued)

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 of associates			21,838
Profit before tax			755,455
Tax			(139,212)
Profit for the year			616,243

26. SEGMENT INFORMATION (Continued)

	Fresh and frozen meat products RMB'000	Processed meat products RMB'000	Consolidated RMB'000
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 allowance for irrecoverable trade debtors	(2,495)	(3,859)	(6,354)

27. COMMITMENTS

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

	Group 2005 RMB'000	Group 2004 RMB'000
(a) Capital commitments:		
Contracted, but not provided for:		
Buildings	**53,765**	65,413
Plant and machinery	**24,191**	34,795
	77,956	100,208

(b) Operating lease commitments:

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

	Group 2005 RMB'000	Group 2004 RMB'000
Within one year	**7,851**	6,130
In the second to fifth years, inclusive	**17,935**	19,270
After five years	**57,132**	56,774
	82,918	82,174

27. COMMITMENTS (Continued)

The Group leases certain of its land and buildings under operating lease arrangements. Leases for land and buildings are negotiated for the terms ranging from one to twenty years (2004: 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 RMB2.8 million (2004: RMB3.1 million) in respect of contingent rental expenses under that lease. The Group also had operating lease commitments for a typical term of one year with rentals determined in relation to the utilisation of storage capacity. During the year, the Group recognised approximately RMB3.9 million (2004: RMB Nil) in respect of contingent rental expenses under those leases.

The Group has operating lease commitments for a term of twenty years under the Shansong Lease Agreements (note 15), with an option to renew the lease and renegotiate terms at the expiry date. The total future minimum lease payment in respect of the Shansong Lease Agreements is approximately RMB302,000 per year. The rental expense in respect of the Shansong Lease Agreements during the year was approximately RMB25,000.

The Company did not have any significant commitments as at 31 December 2005 (2004: Nil).

28. FINANCIAL INSTRUMENTS

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) *Foreign currency risk*

The Group has no significant foreign currency risk due to limited foreign currency transactions. The Group does not use derivative financial instruments to hedge its foreign currency risk.

28. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(c) *Credit risks*

The Group's bank balances 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, with exposure spread over a large number of counterparties and customers.

(d) *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 notes 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 exists as at the balance sheet date.

29. RELATED PARTIES/RELATED PARTY TRANSACTIONS (Continued)

(b) Related party transactions

In addition to those disclosed elsewhere in the financial statements, the Group had the following related party transactions:

	Notes	For the year ended 31 December 2005 RMB'000	For the period from the Completion Date to 31 December 2004 RMB'000
Purchase of raw materials from an associate	(i)	202,564	78,261
Supply of utilities to an associate	(ii)	9,801	—

Notes:

(i) The Group purchased raw materials of approximately RMB202,564,000 from Linyi Shansong, an associate of the Group. The purchases were made with reference to the terms negotiated between both parties.

(ii) During the year, the Group charged Linyi Shansong for the supply of utilities amounted to approximately RMB9,801,000. The charge was made with reference to the terms mutually agreed between both parties.

The directors of the Company 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. CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Net realisable value of inventories

This estimate is based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the balance sheet dates.

30. CRITICAL ACCOUNTING ESTIMATES (Continued)

(ii) Allowance for irrecoverable trade debtors

The Group's 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 Group's management will reassess the estimations at the balance sheet dates.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 February 2006.