1. CORPORATE INFORMATION

The consolidated financial statements of the Company for the year ended 31st December, 2005 were authorised for issue in accordance with a resolution of the directors on 31st March, 2006. The Company is a limited liability company incorporated in Bermuda.

The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

During the year, the Group was involved in the following activities:

- feedmill and poultry operations and trading of agricultural products
- manufacture and sale of motorcycles and accessories for automotives through its jointly controlled entities
- property and investment holding

The Group employed approximately 44,000 (2004: 51,000) employees (including 14,000 from jointly controlled entities and associates) as at 31st December, 2005.

2. BASIS OF PRESENTATION

As previously reported, the Company has been conducting discussions with its lending banks and the holders of its floating rate notes (collectively referred to as the "Lenders") concerning the indebtedness of the Company and certain subsidiaries, with a view to formulating a consensual debt restructuring proposal (the "Debt Restructuring") by way of capital restructuring, further details of which are included in the public announcement of the Company dated 2nd March, 2005 and in the Company's circular dated 29th March, 2005. On 22nd April, 2005, the debt and the capital restructuring was successfully completed and the financial impact thereof has been reflected in the current year's consolidated financial statements. This principally involved repayments of all the debts to its Lenders and the Group securing a new loan facility of US$140,000,000 (the "New Loan") from certain banks upon the successful completion of the issuance of subscription shares. The New Loan was obtained on 29th April, 2005 and will be repaid in 14 semi-annual installments over 7 years.

Despite the Group having recorded consolidated net current liabilities of US$301,897,000 at the balance sheet date, the financial statements have been prepared on a going concern basis on the basis of the directors' contention that the Group will be able to generate sufficient net cash inflows in the future to meet all its obligations when they fall due and the ability of the Group to secure the financial support of its bankers, including the continued ongoing refinancing of the Group's short term bank loans from its bankers in the PRC.

3. IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted those new/revised standards mandatory for financial years beginning on or after 1st January, 2005:

IAS 1:	Presentation of Financial Statements
IAS 16 (Amendment):	Property, Plant and Equipment
IAS 19 (Amendment):	Employee Benefits
IAS 21 (Amendment):	The Effects of Changes in Foreign Exchange Rates
IFRS 2:	Share-based Payment
IFRS 5:	Non-current Assets Held for Sale and Discontinued Operations

Apart from IAS 1 "Presentation of Financial Statements" and IFRS 2 "Share-based Payment", the other changes in accounting polices have no significant impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements as at 31st December, 2005 and 31st December, 2004.

IAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to associates and jointly controlled entities was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon the adoption of IAS 1, the Group's share of the post-acquisition results of associates and jointly controlled entities is presented net of the Group's share of tax attributable to associates and jointly controlled entities.

The Group adopted IFRS 2 "Share-based Payment" for the first time for the current year's financial statements:

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of IFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

3. IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

The main impact of IFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options. The revised accounting policy for share-based payment transactions is described in more detail in note 5 "Summary of significant accounting policies" below.

The Group has adopted the transitional provisions of IFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees (including directors) on or before 7th November, 2002; and (ii) options granted to employees (including directors) after 7th November, 2002 but which had vested before 1st January, 2005.

As the Group's employee share options which were granted during the period from 7th November, 2002 to 31st December, 2004 were all vested as at 1st January, 2005, the adoption of IFRS 2 has had no impact on the retained profits as at 31st December, 2003 and at 31st December, 2004. The Group has recognised the cost of options which were granted during the year in the current year's income statement in accordance with the revised accounting policy.

The effects of adopting IFRS 2 are summarised in note 35 to the financial statements.

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these IFRSs are effective for annual periods beginning on or after 1st January, 2006:

IAS 1 (Amendment)	Capital Disclosures
IAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
IAS 21 (Amendment)	Net Investment in a Foreign Operation
IAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
IAS 39 (Amendment)	The Fair Value Option
IAS 39 & IFRS 4 (Amendments)	Financial Guarantee Contracts
IFRSs 1 & 6 (Amendments)	First-time Adoption of International Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRIC-Int 4	Determining whether an Arrangement contains a Lease
IFRIC-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IFRIC-Int 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economics
IFRIC-Int 8	Scope of IFRS 2
IFRIC-Int 9	Reassessment of Embedded Derivatives

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

(a) IAS 1 (Amendment) – Capital Disclosures

This interpretation shall be applied for annual periods beginning on or after 1st January, 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

(b) IFRIC – Int 4 – Determining whether an Arrangement contains a Lease

This interpretation requires the determination of whether an arrangement is, or contains a lease shall be based on the substance of the arrangement and requires an assessment whether:

(i) fulfillment of the arrangement is dependent on the use of a specific asset or assets; and

(ii) the arrangement conveys a right to use the asset.

(c) IFRS 7 will replace IAS 32 and has modified the disclosure requirements of IAS 32 relating to financial instruments. This IFRS shall be applied for annual periods beginning on or after 1st January, 2007.

In accordance with the amendments to IAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with IAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with IAS 18.

(d) The IAS 19 (Amendment), IAS 39 (Amendment) regarding cash flow hedge accounting of forecast intragroup transactions, IFRSs 1 and 6 (Amendments), IFRS 6, IFRIC-Int 5 and IFRIC-Int 6 do not apply to the activities of the Group. IFRIC-Int 6 shall be applied for annual periods beginning on or after 1st December, 2005.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the International Accounting Standards Board, and International Accounting Standards ("IASs") and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments, and available-for-sale investments, as further explained below. These financial statements are presented in United States dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st December, 2005. The results of subsidiaries are consolidated from dates of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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

Joint ventures

A joint venture is an entity operating, directly or indirectly, in Mainland China as independent business entities. The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which assets are to be realised upon its dissolution. The profits and losses from operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures (continued)

A joint venture is treated as:

(a) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors;

(b) a jointly controlled entity, if neither the Group, nor its joint venture partners are in a position to exercise unilateral control over the economic activity of the joint venture;

(c) an associate, if the Group holds, directly or indirectly, between 20% and 50% of the joint venture's registered capital for a long term basis and is in a position to exercise significant influence over its management; or

(d) an equity investment, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly controlled entities

A jointly controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity. Where the profit sharing ratio is different to the Group's equity interest, the share of the post-acquisition results of the jointly controlled entities is determined based on the agreed profit sharing ratio.

The Group's share of the post-acquisition results and reserves of jointly controlled entities is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in jointly controlled entities 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.

Associates

An associate is an entity, not being a subsidiary or a jointly controlled entity, 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 and goodwill recorded in the associates' own financial statements less any impairment losses.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates (continued)

If the Group's share of losses of an associate equals to or exceeds the carrying amount of the investment, the Group will discontinue the investment including its share of further losses and the investment is reported at nil value. Additional losses are provided for to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the associate that the Group has guaranteed or otherwise committed.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the consolidation of subsidiaries, and on the acquisition of jointly controlled entities and associates represents the excess of the purchase consideration paid for subsidiaries, jointly controlled entities and associates over the fair values ascribed to their net assets and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 "Segment Reporting".

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is 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 based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Excess over the cost of business combination (previously referred to as "negative goodwill")

On the acquisition of subsidiaries, jointly controlled entities and associates, if the Group's share of the fair values of the identificable assets, liabilities and contingent liabilities of an entity being acquired as at the date of acquisition over the cost of the acquisition, the Group shall reassess the identification and measurement of the identificable assets, liabilities and contingent liabilities of that entity and the measurement of the cost of the business combination, and recognise immediately in the consolidated income statement any excess remaining after that reassessment.

The carrying amount of negative goodwill resulted from the business combination before 31st March, 2004 has been derecognised, with a corresponding adjustment to the opening balance of accumulated losses.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, biological assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

(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).

Property, plant and equipment and depreciation

(a) Office premises

Office premises are stated at their open market values on the basis of annual valuations performed at the end of each financial year. Changes in the values of such premises are dealt with as movements in the asset revaluation reserve on an individual premise basis. If the total of the reserve attributable to the individual premises is insufficient to cover a deficit, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged.

Upon disposal of the office premises, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is released and transferred directly to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of the office premises over their estimated useful lives.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

(b) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Depreciation of property, plant and equipment in Hong Kong is calculated on the straight-line basis to write off the cost of each item over its estimated useful life.

(c) Depreciation of property, plant and equipment in Mainland China is calculated in accordance with the relevant regulations in the PRC, which require that depreciation to be provided on the straight-line basis based on the estimated economic useful life of each category of assets and on an estimated residual value. Residual value represents the estimated recoverable amount upon disposal less any estimated costs of disposal. The principal annual rates used for this purpose are as follows:

Industrial buildings in Mainland China	2% – $4^1/_2$%
Plant and machinery	6% – 15%
Furniture, fixtures and equipment	10% – $33^1/_3$%
Motor vehicles and transport facilities	9% – $33^1/_3$%

The above principal annual rates used are adopted based on the PRC accounting principles and the rates are not materially different to those under IASs.

The rights to the use of sites in Mainland China are amortised over the period of the rights.

(d) Construction in progress

Construction in progress represents the costs incurred in connection with the construction of silos, factories, warehouses and farms, and hatchery facilities. Interest on bank loans used to finance construction costs is capitalised in construction in progress. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

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 prepare for their intended use, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use. The capitalisation rate for the year is based on the actual cost of the related borrowings.

All other borrowing costs are recognised as expenses in the period in which they are incurred.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Investments and other financial assets

Applicable to the year ended 31st December, 2004:

Available-for-sale financial assets

Listed and unlisted investments held on a long term basis are stated at estimated fair value. The gains or losses arising from changes in the value of the investments are credited or charged to the income statement for the period in which they arise.

The results of investee companies are included only to the extent of dividends received and receivable.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Applicable to the year ended 31st December, 2005:

Financial assets in the scope of IAS 39 are classified as loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

The fair values of financial instruments are determined as described in note 43 to the financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

Applicable to the year ended 31st December, 2005:

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through income statement.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

Applicable to the year ended 31st December, 2005:

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Derecognition of financial liabilities

Applicable to the year ended 31st December, 2005:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Inventories

Inventories are valued at the lower of cost, on the weighted average basis, and net realisable value after making due allowance for any obsolete or slow-moving items. Cost comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Livestock

Livestock is stated at fair value less estimated point-of-sale costs, except where the fair value cannot be measured reliably, in which case it is stated at cost less accumulated amortisation and any impairment losses. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit.

Net increments or decrements in the fair value of livestock are included in the income statement, determined as:

(a) the difference between the total fair value of the livestock recognised at the beginning of the financial year and the total fair value of the livestock recognised at the end of the financial year; and

(b) the cost incurred during the financial year to acquire and breed livestock.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on the straight-line basis over the lease term.

Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Prepaid land premiums 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 buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Foreign currencies

The financial statements are prepared in United States Dollars as there is trading of the Company's shares by way of American Depository Receipts in the United States. In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the functional currency rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in income statement in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. United States dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange equalisation reserve). Such exchange differences are recognised in the income statement in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1st January, 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Employee benefits

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. 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.

As stipulated by the regulations of the PRC government, each of the joint ventures in Mainland China is required to make specific contributions to the state-controlled retirement plan at rates ranging from 14% to 25% of the total salaries of the employees in Mainland China. The PRC government is responsible for the pension liability to the retired employees. The employees of the joint ventures are entitled to a monthly pension at their retirement dates. The joint ventures have no further obligation for post-retirement benefits beyond the annual contributions.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions

The company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using Black-Scholes Option Pricing Model, further details of which are given in note 35. In valuing equity-settled transactions, no account is taken of any performance condition, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of IFRS 2 in respect of equity-settled awards and has applied IFRS 2 only to equity-settled awards granted after 7th November, 2002 that had not vested on 1st January, 2005 and to those granted on or after 1st January, 2005.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land lease prepayments

Land lease prepayments represent land use rights paid to the PRC's governmental authorisities. Land lease prepayments are carried at cost less impairment losses and are charged to the income statement on a straight-line basis over the respective periods of the rights.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to 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 (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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:

(a) from 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;

(b) rental income, on a time proportion basis over the lease terms; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including time deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Depreciation and amortisation

The Group's net book value of property, plant and equipment at 31st December, 2005 was US$452,157,000. The Group depreciates the assets on the straight-line basis over their estimated useful lives, and after taking into account of their estimated residual values, using the straight-line method, at rates ranging from 2% to 33 $^{1}/_{3}$% per annum, commencing from the date the equipment is placed into productive use. The estimated useful lives and dates that the Group places the equipment into productive use reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's plant and equipment.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESIMATES (continued)

Provision for impairment loss

The policy for provision for impairment loss, of the Group is based on the evaluation of collectability and the aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowances for inventories

The management of the Group reviews an aging analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowances for obsolete items.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31st December, 2005 was US$2,703,000 (2004: US$2,703,000).

7. REVENUE

Revenue, which is also the Group's turnover, represents rental income and the net invoiced value of sales after allowances for goods returned and trade discounts, and after eliminations of intra-group transactions.

An analysis of revenue by principal activities and geographical location of operations is as follows:

	GROUP	
	2005	2004
	US$'000	*US$'000*
By principal activities:		
Sales to/income from external customers:		
Feedmill and poultry operations	**1,832,759**	1,713,032
Investment and property holding	**5**	4
	1,832,764	1,713,036
By geographical location of operations:		
PRC:		
Hong Kong	**5**	4
Mainland China	**1,832,759**	1,713,032
	1,832,764	1,713,036

The above analysis does not include the revenue of the Group's jointly controlled entities and associates, which is summarised in the combined results of jointly controlled entities and associates as set out in notes 23 and 24 to the financial statements, respectively.

8. OTHER INCOME

	Notes	GROUP 2005 US$'000	GROUP 2004 US$'000 (Restated)
Excess over the cost of business combination recognised as income		**192**	–
Gain on disposal of subsidiaries	*39(b)*	**21,270**	4,574
Gain on disposal of a jointly controlled entity		**–**	20,381*
Unrealised gain on revaluation of livestock	*21*	**1,149**	–
Changes in fair value of investment properties		**4**	–
Bank interest income		**1,000**	1,167
Tax refund in respect of reinvestment of distributed earnings from the PRC ventures		**–**	236
		23,615	26,358

* The prior year's gain was related to the disposal of the Group's entire 50% equity interest in Shanghai-Ek Chor General Machinery Co., Ltd. for a total consideration of US$40,000,000.

9. OTHER LOSSES

	Notes	GROUP 2005 US$'000	GROUP 2004 US$'000 (Restated)
Loss on disposal of a jointly controlled entity	*39(c)*	**14**	–
Loss on disposal of short term investments		**–**	7,580
Changes in fair value of investment properties		**–**	613
Impairment loss of items of property, plant and equipment	*18*	**8,264**	5,163
Impairment loss of goodwill	*26*	**–**	7,004
Equity-settled share option expense	*35*	**8,470**	–
		16,748	20,360

10. PROFIT/(LOSS) BEFORE TAX

	Notes	2005 US$'000	2004 US$'000 (Restated)
The Group's profit/(loss) before tax is arrived at after crediting:			
Foreign exchange gains, net		**29**	–
Rental income			
Gross rental income		**617**	614
Outgoing expenses		**(1)**	(1)
		616	613
Write-back of provision for bad and doubtful debts		**5,476**	4,526
Write-back of inventories to net realisable value		**219**	–
Write-back of provision for livestock		**–**	55
and after charging:			
Depreciation	*18*	**47,604**	53,033
Amortisation of land lease prepayments	*20*	**1,330**	1,195
Provision for bad and doubtful debts		**166**	271
Write-down of inventories to net realisable value		**–**	811
Provision for livestock		**170**	–
Loss on disposal of property, plant and equipment, net		**483**	3,439
Minimum lease payments under operating leases:			
Land and buildings		**5,410**	3,777
Plant and machinery		**430**	440
		5,840	4,217
Auditors' remuneration		**639**	633
Employee benefits expense (including directors' remuneration – see *note 12*):			
Wages and salaries		**102,671**	93,287
Equity-settled share option expense	*35*	**8,470**	–
Pension fund contributions		**4,727**	4,289
		115,868	97,576
Impairment of goodwill	*26*	**–**	7,004
Foreign exchange losses, net		**–**	117

11. FINANCE COSTS

	GROUP	
	2005	2004
	US$'000	*US$'000*
Interest expense on:		
Bank loans wholly repayable within five years	**22,196**	28,773
Bank loans wholly repayable beyond five years	**6,162**	–
Other loans repayable within five years	**249**	479
	28,607	29,252

12. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	GROUP	
	2005	2004
	US$'000	*US$'000*
Fees	**57**	54
Other emoluments:		
Salaries, allowances and benefits in kind	**1,284**	1,026
Employee share option benefits	**6,973**	–
Pension scheme contributions	**1**	–
	8,258	1,026
	8,315	1,080

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option schemes of the Company, further details of which are set out in note 35 to the financial statements. The fair value of such options, which has been expensed to the income statement, was determined as at the date of the grant and was included in the above directors' remuneration disclosures.

12. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2005 US$'000	2004 US$'000
Mr. Kowit Wattana	9	–
Mr. Sombat Deo-isres	4	–
Mr. Ma Chiu Cheung, Andrew	4	–
Mr. Chidchai Vanasatidya	–	–
Mr. Budiman Elkana	17	23
Mr. Cheung Koon Yuet, Peter	23	31
	57	54

There were no other emoluments payable to the independent non-executive directors during the year (2004: Nil).

(b) Executive directors

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Performance related bonuses US$'000	Share option benefits US$'000	Pension scheme contributions US$'000	Total remuneration US$'000
2005						
Mr. Sumet Jiaravanon	–	404	–	429	–	833
Mr. Dhanin Chearavanont	–	167	–	429	–	596
Mr. Thanakorn Seriburi	–	455	–	751	–	1,206
Mr. Meth Jiaravanont	–	35	–	751	–	786
Mr. Anan Athigapanich	–	70	–	–	–	70
Mr. Damrongdej Chalongphuntarat	–	83	–	–	–	83
Mr. Robert Ping-Hsien Ho	–	19	–	751	1	771
Mr. Bai Shanlin	–	51	–	–	–	51
Mr. Soopakij Chearavanont	–	–	–	–	–	–
Mr. Nopadol Chiaravanont	–	–	–	–	–	–
Mr. Benjamin Jiaravanon	–	–	–	–	–	–
Mr. Narong Chearavanont	–	–	–	–	–	–
Mr. Jaran Chiaravanont	–	–	–	429	–	429
Mr. Montri Jiaravanont	–	–	–	429	–	429
Mr. Prasert Poongkumarn	–	–	–	751	–	751
Mr. Min Tieanworn	–	–	–	751	–	751
Mr. Thirayut Phitya-Isarakul	–	–	–	751	–	751
Mr. Veeravat Kanchanadul	–	–	–	751	–	751
	–	1,284	–	6,973	1	8,258

12. DIRECTORS' REMUNERATION (continued)

(b) Executive directors (continued)

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share option benefits	Pension scheme contributions	Total remuneration
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2004						
Mr. Jaran Chiaravanont	–	–	–	–	–	–
Mr. Montri Jiaravanont	–	–	–	–	–	–
Mr. Dhanin Chearavanont	–	167	–	–	–	167
Mr. Sumet Jiaravanon	–	404	–	–	–	404
Mr. Prasert Poongkumarn	–	–	–	–	–	–
Mr. Min Tieanworn	–	–	–	–	–	–
Mr. Thirayut Phitya-Isarakul	–	–	–	–	–	–
Mr. Thanakorn Seriburi	–	455	–	–	–	455
Mr. Veeravat Kanchanadul	–	–	–	–	–	–
	–	1,026	–	–	–	1,026

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

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2004: two) directors, details of whose remuneration are set out in note 12 above. The remuneration of the three non-directors, highest paid employees for the prior year is analysed and as follows:

	GROUP	
	2005	2004
	US$'000	*US$'000*
Salaries, allowances and benefits in kind	–	1,189
Performance related bonuses	–	–
Employee share option benefits	–	–
Pension scheme contributions	–	–
	–	1,189

The number of non-director, highest paid employees whose remuneration fell within the following bands for the prior year is as follows:

	Number of employees	
	2005	2004
US$256,001 – US$321,000 (equivalent to HK$2,000,001 – HK$2,500,000)	–	2
US$641,001 or above (equivalent to HK$5,000,000 or above)	–	1

14. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) The feedmill and poultry segment represents feedmill and poultry operations and trading of agriculture products;

(b) The manufacturing and sale of motorcycle segment represents manufacturing and sales of motorcycles and accessories for automotives through its jointly controlled entities; and

(c) The investment and property segment leases offices owned by the Group and acts as investment holding of group companies.

14. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31st December, 2005 and 2004.

GROUP

	Feedmill and poultry operations and trading of agricultural products US$'000	Manufacture and sale of motorcycles and accessories for automotives* US$'000	Investment and property holding US$'000	Total US$'000
2005				
Segment revenue:				
Total sales	1,969,587	–	69	1,969,656
Intersegment sales	(136,828)	–	(64)	(136,892)
Sales to external customers	1,832,759	–	5	1,832,764
Segment results	52,609	(5,660)	(15,454)	31,495
Other income	22,611	–	4	22,615
Other losses	(8,278)	–	(8,470)	(16,748)
Interest income				1,000
Finance costs				(28,607)
Share of profits and losses of jointly controlled entities	973	4,810	–	5,783
Share of profits and losses of associates	2,393	–	–	2,393
Profit before tax				17,931
Tax				(7,505)
Profit for the year				10,426
2004 (Restated)				
Segment revenue:				
Total sales	1,871,577	–	68	1,871,645
Intersegment sales	(158,545)	–	(64)	(158,609)
Sales to external customers	1,713,032	–	4	1,713,036
Segment results	7,524	(3,469)	(2,961)	1,094
Other income	4,810	20,381	–	25,191
Other losses	(12,167)	–	(8,193)	(20,360)
Interest income				1,167
Finance costs				(29,252)
Share of profits and losses of jointly controlled entities	(29,526)	3,486	–	(26,040)
Share of profits and losses of associates	1,573	–	–	1,573
Loss before tax				(46,627)
Tax				(7,741)
Loss for the year				(54,368)

* These activities were conducted through the Group's jointly controlled entities of its industrial sector.

14. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

GROUP

	Feedmill and poultry operations and trading of agricultural products US$'000	Manufacture and sale of motorcycles and accessories for automotives* US$'000	Investment and property holding US$'000	Total US$'000
2005				
Interests in jointly controlled entities	10,232	41,200	–	51,432
Interests in associates	28,048	–	–	28,048
Segment assets	812,963	4,167	25,922	843,052
Unallocated assets				2,838
Total assets				925,370
Segment liabilities	236,443	4,556	3,184	244,183
Unallocated liabilities				529,958
Total liabilities				774,141
Other segment information:				
Additions to property, plant and equipment and land lease prepayments	55,314	103	–	55,417
Depreciation and amortisation	48,638	165	131	48,934
Impairment losses	8,264	–	–	8,264
2004				
Interests in jointly controlled entities	(724)	36,694	–	35,970
Interests in associates	25,806	–	–	25,806
Segment assets	791,127	5,634	36,063	832,824
Unallocated assets				2,458
Total assets				897,058
Segment liabilities	247,214	5,475	2,084	254,773
Unallocated liabilities				539,465
Total liabilities				794,238
Other segment information:				
Additions to property, plant and equipment and land lease prepayments	35,160	185	194	35,539
Depreciation and amortisation	54,034	128	66	54,228
Impairment losses	12,112	–	–	12,112

* These activities were conducted through the Group's jointly controlled entities of its industrial sector.

14. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's geographical segments for the years ended 31st December, 2005 and 2004.

GROUP

	Hong Kong (PRC) US$'000	Mainland China (PRC) US$'000	Thailand and Indonesia US$'000	Total US$'000
2005				
Segment revenue:				
Total sales	69	1,969,587	–	1,969,656
Intersegment sales	(64)	(136,828)	–	(136,892)
Sales to external customers	5	1,832,759	–	1,832,764
Segment results	(14,855)	46,350	–	31,495
Other income	4	22,611	–	22,615
Other losses	(8,470)	(8,278)	–	(16,748)
Interest income				1,000
Finance costs				(28,607)
Share of profits and losses of jointly controlled entities	–	5,783	–	5,783
Share of profits and losses of associates	–	2,393	–	2,393
Profit before tax				17,931
Tax				(7,505)
Profit for the year				10,426
2004 (Restated)				
Segment revenue:				
Total sales	68	1,871,577	–	1,871,645
Intersegment sales	(64)	(158,545)	–	(158,609)
Sales to external customers	4	1,713,032	–	1,713,036
Segment results	(5,041)	6,135	–	1,094
Other income	–	25,191	–	25,191
Other losses	(613)	(12,167)	(7,580)	(20,360)
Interest income				1,167
Finance costs				(29,252)
Share of profits and losses of jointly controlled entities	–	(26,040)	–	(26,040)
Share of profits and losses of associates	–	1,573	–	1,573
Loss before tax				(46,627)
Tax				(7,741)
Loss for the year				(54,368)

14. SEGMENT INFORMATION (continued)

(b) Geographical segments (continued)

GROUP

	Hong Kong (PRC) US$'000	Mainland China (PRC) US$'000	Thailand and Indonesia US$'000	Total US$'000
2005				
Interests in jointly controlled entities	–	51,432	–	51,432
Interests in associates	–	28,048	–	28,048
Segment assets	14,720	828,332	–	843,052
Unallocated assets				2,838
Total assets				925,370
Segment liabilities	3,184	240,999	–	244,183
Unallocated liabilities				529,958
Total liabilities				774,141
Other segment information:				
Additions to property, plant and equipment and land lease prepayments	–	55,417	–	55,417
Depreciation and amortisation	131	48,803	–	48,934
Impairment losses	–	8,264	–	8,264
2004				
Interests in jointly controlled entities	–	35,970	–	35,970
Interests in associates	–	25,806	–	25,806
Segment assets	24,310	808,514	–	832,824
Unallocated assets				2,458
Total assets				897,058
Segment liabilities	2,084	252,689	–	254,773
Unallocated liabilities				539,465
Total liabilities				794,238
Other segment information:				
Additions to property, plant and equipment and land lease prepayments	194	35,345	–	35,539
Depreciation and amortisation	66	54,162	–	54,228
Impairment losses	–	12,112	–	12,112

15. TAX

	GROUP	
	2005	2004
	US$'000	*US$'000*
		(Restated)
Group:		
Current – Mainland China		
Charge for the year	**7,637**	7,515
Overprovision in prior years	**–**	(26)
Deferred *(note 27)*	**(132)**	252
Total tax charge for the year	**7,505**	7,741

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2004: Nil).

In accordance with the relevant tax rules and regulations in the PRC, certain of the Company's PRC subsidiaries, jointly controlled entities and associates enjoy income tax exemptions and reductions. Certain subsidiaries, jointly controlled entities and associates are subject to income taxes at tax rates ranging from 10% to 33%.

A reconciliation between the provision for profits taxes computed by applying the applicable tax rates to the profit/(loss) before tax and the actual provision for profits taxes is as follows:

	2005	2004
	US$'000	*US$'000*
		(Restated)
Profit/(loss) before tax	**17,931**	(46,627)
Expected tax charge at the domestic tax rates applicable in the countries concerned, net	**1,360**	(11,325)
Non-deductible expenses, net	**1,922**	819
Tax exemptions or reductions	**(5,533)**	(5,579)
Tax losses of subsidiaries	**11,659**	20,071
Profits and losses attributable to jointly controlled entities and associates	**(1,880)**	3,505
Effect of increase in tax rates on temporary differences	**(23)**	250
Actual tax expense	**7,505**	7,741

16. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss for the year of the Company dealt with in the consolidated income statement amounted to US$3,110,000 (2004: US$48,175,000).

17. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The basic earnings/(loss) per share amount is calculated based on the net profit for the year attributable to ordinary equity holders of the Company of US$4,825,000 (2004: net loss of US$62,386,000), and the weighted average number of ordinary shares of the Company of 2,645,980,786 (2004: 2,158,480,786) shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of share options which was 47,126,086 shares.

18. PROPERTY, PLANT AND EQUIPMENT

GROUP

	2005							
	Office premises in Hong Kong US$'000	Office premises in Mainland China US$'000	Industrial buildings in Mainland China US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles and transport facilities US$'000	Construction in progress US$'000	Total US$'000
Cost or valuation:								
At beginning of year	9,583	8,516	293,007	492,871	68,062	26,117	11,192	909,348
Additions	–	–	1,174	3,850	3,783	2,351	43,576	54,734
Disposals	–	–	(4,132)	(3,705)	(1,228)	(2,283)	–	(11,348)
Revaluation	411	–	–	–	–	–	–	411
Transfer in/(out)	–	–	3,659	10,681	1,283	284	(15,907)	–
Transfer from investment properties *(note 19)*	97	–	–	–	–	–	–	97
Disposals of subsidiaries *(note 39(b))*	–	–	(10)	(88)	(85)	–	–	(183)
Exchange realignment	–	181	5,667	10,474	1,565	634	1,005	19,526
At end of year	10,091	8,697	299,365	514,083	73,380	27,103	39,866	972,585
Accumulated depreciation and impairment losses:								
At beginning of year	–	2,774	102,828	292,641	42,503	19,428	–	460,174
Depreciation provided during the year *(note 10)*	131	–	12,320	28,871	4,014	2,268	–	47,604
Impairment losses provided during the year *(note 9)*	–	–	3,085	5,053	115	11	–	8,264
Disposals	–	–	(990)	(1,488)	(1,040)	(1,897)	–	(5,415)
Revaluation	(131)	–	–	–	–	–	–	(131)
Disposals of subsidiaries *(note 39(b))*	–	–	(10)	(88)	(85)	–	–	(183)
Exchange realignment	–	59	2,125	6,534	943	454	–	10,115
At end of year	–	2,833	119,358	331,523	46,450	20,264	–	520,428
Net book value:								
At end of year	10,091	5,864	180,007	182,560	26,930	6,839	39,866	452,157

18. PROPERTY, PLANT AND EQUIPMENT (continued)

GROUP

	2004 (Restated)							
	Office premises in Hong Kong *US$'000*	Office premises in Mainland China *US$'000*	Industrial buildings in Mainland China *US$'000*	Plant and machinery *US$'000*	Furniture, fixtures and equipment *US$'000*	Motor vehicles and transport facilities *US$'000*	Construction in progress *US$'000*	Total *US$'000*
Cost or valuation:								
At beginning of year	6,030	8,516	290,729	488,502	67,552	27,817	16,278	905,424
Additions	–	–	2,243	4,591	3,609	1,837	20,437	32,717
Disposals	–	–	(5,745)	(8,841)	(2,967)	(3,415)	–	(20,968)
Revaluation	3,634	–	–	–	–	–	–	3,634
Transfer in/(out)	–	–	12,032	13,059	369	63	(25,523)	–
Transfer to investment properties *(note 19)*	(81)	–	–	–	–	–	–	(81)
Acquisition of subsidiaries (note 39(a))	–	–	3,428	2,928	148	56	–	6,560
Disposals of subsidiaries *(note 39(b))*	–	–	(9,680)	(7,368)	(649)	(241)	–	(17,938)
At end of year	9,583	8,516	293,007	492,871	68,062	26,117	11,192	909,348
Accumulated depreciation and impairment losses:								
At beginning of year	–	2,545	92,031	262,867	40,978	19,926	–	418,347
Depreciation provided during the year *(note 10)*	83	229	14,122	32,466	3,954	2,179	–	53,033
Impairment losses provided during the year *(note 9)*	–	–	1,054	4,075	28	6	–	5,163
Disposals	–	–	(2,194)	(5,164)	(2,206)	(2,627)	–	(12,191)
Revaluation	(83)	–	–	–	–	–	–	(83)
Disposals of subsidiaries *(note 39(b))*	–	–	(2,185)	(1,603)	(251)	(56)	–	(4,095)
At end of year	–	2,774	102,828	292,641	42,503	19,428	–	460,174
Net book value:								
At end of year	9,583	5,742	190,179	200,230	25,559	6,689	11,192	449,174

18. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's buildings are analysed as follows:

	Hong Kong	Elsewhere	Total
	US$'000	*US$'000*	*US$'000*
Long term leases	10,091	–	10,091
Medium term leases	–	308,062	308,062
	10,091	308,062	318,153

An analysis of the cost or valuation of property, plant and equipment as at 31st December, 2005 is as follows:

	Valuation	Cost	Total
	US$'000	*US$'000*	*US$'000*
Office premises in Hong Kong	10,091	–	10,091
Office premises in Mainland China	8,697	–	8,697
Industrial buildings in Mainland China	–	299,365	299,365
Plant and machinery	–	514,083	514,083
Furniture, fixtures and equipment	–	73,380	73,380
Motor vehicles and transport facilities	–	27,103	27,103
Construction in progress	–	39,866	39,866

The office premises in Hong Kong are held under long term leases. The properties were revalued by Castores Magi (Hong Kong) Limited, independent professionally qualified valuers, on an open market basis, at 31st December, 2005.

Had the Group's premises in Hong Kong been stated at cost less accumulated depreciation, the carrying amount of the premises at 31st December, 2005 would have been US$1,500,000 (2004: US$1,554,000).

The office premises in Mainland China are held under medium term leases. The properties were revalued by B.I. Appraisals Limited, independent professionally qualified surveyors, on a depreciated replacement cost basis, at 31st December, 2005.

Had the Group's premises in Mainland China been stated at cost less accumulated depreciation, the carrying amount of the premises at 31st December, 2005 would have been US$5,513,000 (2004: US$5,742,000).

18. PROPERTY, PLANT AND EQUIPMENT (continued)

The industrial buildings in Mainland China are held under medium term leases.

Certain of the Group's buildings and plant and machinery in Mainland China have been pledged as securities for interest-bearing bank loans as further detailed in note 34 to the financial statements.

COMPANY

	Furniture, fixtures and equipment	
	2005	2004
	US$'000	*US$'000*
Cost:		
At beginning of year	**730**	536
Additions	**212**	194
At end of year	**942**	730
Accumulated depreciation:		
At beginning of year	**552**	486
Provided during the year	**95**	66
At end of year	**647**	552
Net book value:		
At end of year	**295**	178
At beginning of year	**178**	50