

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2003.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 12 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Listing

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

Results and dividends

Details of the results of the Company and the Group for the year ended 31 December 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 43 to 45.

An interim dividend of RMB0.064 per ordinary share was declared on 28 August 2003. The directors proposed that a final dividend of RMB0.082 per ordinary share amounting to approximately RMB92,933,000 be paid for the year ended 31 December 2003.

Summary financial information

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 74 of the annual report. This summary does not form part of the audited financial statements.

Fixed assets

Details of movements in the fixed assets of the Group are set out in note 13 to the financial statements.

Acquisition and disposal of subsidiaries

No subsidiary was acquired or disposed of during the year.

Subsidiaries

Particulars of the Company's subsidiaries are set out in the note 12 to the financial statements.

Issue of shares and debentures

During the year, 齊齊哈爾金鑼肉製品有限公司 (“Qiqihaer Jinluo”), being a wholly-owned subsidiary of the Company, was established as a wholly foreign-owned enterprise in the People’s Republic of China. The registered capital of Qiqihaer Jinluo amounted to US\$4,800,000 was paid up in full during the year. In addition, the registered capital of Linyi Xincheng Jinluo Meat Products Co., Ltd. (“Linyi Xincheng”) and Linyi Minsheng Food Development Co., Ltd. (“Linyi Minsheng”) were increased by US\$15,220,000 and US\$8,000,000 to US\$26,520,000 and US\$15,000,000, respectively. The incremental registered capital of Linyi Xincheng and Linyi Minsheng were paid up in full during the year.

Save as disclosed above, none of the Company’s subsidiary issued any shares or increased its registered capital during the year.

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

Share capital and share options

Details of movements in the Company’s share capital during the year, together with the reasons therefor, are set out in note 21 to the financial statements.

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

Bank borrowings

Details of the bank borrowings of the Group are set out in note 20 to the financial statements.

Pre-emptive rights

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

Purchase, redemption or sale of listed securities of the Company

Except as disclosed in the section headed “Issue of shares and debentures” above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year. The Company has issued a policy on dealing in the Company’s shares to employees of the Company pursuant to the Best Practice Guide issued by the SGX-ST. The policy sets out the implications of insider dealing in the shares, and includes guidance to employees on dealing in the Company’s shares, which is modeled after the Best Practice Guide with some modifications.

Material movements or transfers in reserves and provisions

Details of movements in the reserves of the Company and the Group during the year are set out in the statements of changes in equity on page 45.

There were no material transfers to or from provisions during the year except for normal amounts recognised as an expense for such items as depreciation of fixed assets and provisions for doubtful debts and income tax as disclosed in the financial statements.

Distributable reserves

At 31 December 2003, the Company's reserves available for distribution, calculated in accordance with the provision of laws of Bermuda, amounted to approximately RMB1,499,000. The balance of approximately RMB557,229,000 in the share premium account may be distributed in the form of fully paid bonus shares.

Major customers and suppliers

During the year, the five largest customers of the Group accounted for approximately 6% of the Group's consolidated turnover. In addition, the five largest suppliers of the Group accounted for approximately 4% of the Group's consolidated purchases for the year. Sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total sales and total purchases, respectively, for the year.

Bad and doubtful debts

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

At the date of this report, the directors are not aware of any circumstances which would render any amount written off or provided for bad and doubtful debts in the Group inadequate to any substantial extent.

Current assets

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

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

Charges on assets and contingent liabilities

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

Ability to meet obligations

Save as disclosed in note 24 to the financial statements, no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the year which, in the opinion of the directors, will or may substantially affect the ability of the Company and the Group to meet their obligations as and when they fall due.

Other circumstances affecting the financial statements

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

Unusual items

In the opinion of the directors, save for the spread of the Severe Acute Respiratory Syndrome in the People's Republic of China which resulted in, inter alia, the temporary suspension of live pig slaughtering activities in the Group's production plants in Xiangtian, Meishan and Tongliao, the results of the operations of the Company and the Group during the year have not been substantially affected by any item, transaction or event of a material and unusual nature.

Unusual items after the financial year

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

Post balance sheet events

Details of the significant post balance sheet events of the Company and the Group are set out in note 27 to the financial statements.

Directors

The directors during the year were:

Executive directors:

Ming Kam Sing
Zhou Lian Kui
Zhou Lian Liang

Non-executive and independent directors:

Chng Hee Kok
Chan Kin Sang
Ow Chin Hock (appointed on 7 January 2003)

The directors of the Company, including the non-executive directors, are subject to retirement and re-election at the forthcoming annual general meeting in accordance with the Company's bye-laws.

In accordance with bye-law 86 of the Company's bye-laws, Mr Zhou Lian Kui and Mr Zhou Lian Liang will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The retirement and re-election of the independent non-executive directors of the Company will be in accordance with the relevant provisions of the bye-laws of the Company. Save as aforesaid, the Company has fully complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the HKSE (the "HKSE Listing Rules").

Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 9 and 17 to 19 of the annual report.

Arrangements to enable directors to acquire shares or debentures

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

Directors' interests in shares

According to the Register of Directors' Shareholdings, the only directors who held office at the end of the financial year and who had an interest in shares or debentures of the Company or its related corporations either on 1 January 2003, or on 31 December 2003, or on 21 January 2004 were as follows:

At 1 January 2003

Name of director	Direct interest	Deemed interest
	<i>Ordinary shares of HK\$0.50 each of the Company</i>	
Ming Kam Sing (note i)	113,648,889	592,327,306
Zhou Lian Kui (note i)	10,666,624	592,327,306

At 31 December 2003

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

At 21 January 2004

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

Notes:

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

Directors' interests in shares (Continued)

Directors' interests

At 31 December 2003, the interests and short position of the directors in the shares, debentures and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which will have to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to be under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the HKSE pursuant to the Model code for Securities Transactions by Directors of the Listed Companies in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

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

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

Notes: (L) — Long Position

Substantial shareholders' interests

At 31 December 2003, so far as was known to the directors, the following companies or persons had an interest or short position in the shares and the underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of shares held	Approximate percentage of shareholding
Ming Kam Sing (Note 1)	525,975,306(L)	46.41%(L)
Maleque Limited (Note 2)	525,975,306(L)	46.41%(L)
J.P. Morgan Chase & Co.	68,202,000(L)	6.02%(L)
	19,822,000(P)	1.75%(P)
J.P. Morgan Fleming Asset Management (Asia) Inc.	72,878,000(L)	6.43%(L)
J.P. Morgan Fleming Asset Management Holdings Inc.	75,433,000(L)	6.66%(L)
JF Asset Management Limited	72,418,000(L)	6.39%(L)
UBS AG	68,420,200(L)	6.04%(L)

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

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

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

Connected/interested person/related party transactions

In compliance with the HKSE Listing Rules, the rules of the SGX-ST and International Financial Reporting Standards, the directors of the Company confirmed that there were no connected, interested person or related party transactions during the year under the review.

Directors' service contracts

The Company entered into separate service agreements ("Service Agreements") with Mr. Ming Kam Sing, Mr. Zhou Lian Kui and Mr. Zhou Lian Liang for an initial period of three years commencing on 1 January 2001. Such Service Agreements are renewable automatically for successive terms of one year each unless terminated by not less than three months' notice in writing served by either party following the expiration of the end of the initial term or at any time thereafter.

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

Directors' interests in contracts

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

Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the HKSE Listing Rules since the listing of the Company's shares on the HKSE on 28 October 2002, except that the independent non-executive directors of the Company are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement and re-election at the forthcoming annual general meeting in accordance with the Company's bye-laws.

Audit committee, nominating committee and remuneration committee

Details of the Company's audit committee, nominating committee and remuneration committee are set out in Statement of the Corporate Governance on pages 11 to 14.

Auditors

The auditors, Ernst & Young, Certified Public Accountants, Hong Kong, have expressed their willingness to accept reappointment. A resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

Other information required by the SGX-ST

Save as disclosed above, no material contracts to which the Company or any of its subsidiaries are a party and which involved interests of the Chief Executive Officer, each director or each controlling shareholder subsisted at the end of the financial year or have been entered into since the end of the previous financial year.

ON BEHALF OF THE BOARD,

Ming Kam Sing

Chairman

Zhou Lian Kui

Executive Director

Hong Kong

23 February 2004