

REPORT OF THE DIRECTORS

The Board herein presents their report and the audited accounts of the Company and of the Group for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group consist of the manufacture, sale and development of instant food. Its products currently include black sesame mix, black cereal and other instant food products and these products are primarily sold under the “Havle (黑五類)”, “Nan Fang (南方)” and “Quick Up (快點)” brandnames. The Group is also engaged in the sub-licensing of the use of these brandnames, currently to eight other food manufacturers. Almost all of the Group’s income is generated in the PRC.

SEGMENTAL INFORMATION

An analysis of the turnover of the Group by product and geographical region of operations (principal markets for the Group’s products) for the year ended 31 December 2000 is as follows:

	Turnover	
	2000 RMB’000	1999 RMB’000
By product:		
Black sesame mix products	132,355	168,361
Black cereal products	1,190	3,093
Other products	14,286	30,443
	147,831	201,897
	2000 RMB’000	1999 RMB’000
By geographical region:		
Northern China (Note 1)	48,378	40,196
Southern China (Note 2)	17,197	26,452
Eastern and Central China (Note 3)	42,642	80,072
Southwestern and other parts of China (Note 4)	39,041	54,656
Export Market	573	521
	147,831	201,897

REPORT OF THE DIRECTORS

SEGMENTAL INFORMATION *(continued)*

The contribution to operating profit by individual geographical market is not presented as the contribution to operating profit from each geographical market as a proportion of turnover from that market is in line with the overall ratio of profit to turnover achieved by the Group.

Notes:

1. Northern China includes Hebei, Shanxi, Liaoning, Inner Mongolia, Jilin, Henan, Shandong and Heilongjiang provinces and Beijing and Tianjin municipalities.
2. Southern China includes Guangdong, Guangxi, Fujian and Hainan provinces.
3. Eastern and Central China include Jiangsu, Zhejiang, Anhui, Hubei, Hunan, and Jiangxi provinces and Shanghai municipality.
4. Southwestern and other parts of China include Gansu, Shaanxi, Xinjiang, Ningxia, Qinghai, Sichuan, Yunnan and Guizhou provinces and Chongqing municipality.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Company and the Group at that date are set out in the accompanying accounts on pages 29 to 63.

The Board has resolved not to recommend the payment of a dividend for the year ended 31 December 2000 (1999: RMB Nil).

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION

The following is a summary of the consolidated/combined results of the Group for the last five financial years prepared on the basis set out in note 1 below:

	Note	1996		1997		1998		1999		2000	
		RMB'000	HK\$'000	RMB'000	HK\$'000	RMB'000	HK\$'000	RMB'000	HK\$'000	RMB'000	HK\$'000
Turnover		215,594	202,132	190,731	178,821	196,785	184,497	201,897	188,688	147,831	138,160
Cost of sales		(148,569)	(139,292)	(120,283)	(112,772)	(124,835)	(117,040)	128,210	(119,822)	(95,194)	(88,966)
Gross profit		67,025	62,840	70,448	66,049	71,950	67,457	73,687	68,866	52,637	49,194
Other revenue		589	552	334	313	806	756	9,432	8,815	6,514	6,088
Distribution costs		(27,560)	(25,839)	(23,083)	(21,641)	(20,113)	(18,857)	(17,879)	(16,709)	(20,519)	(19,177)
Administrative expenses		(9,815)	(9,202)	(14,608)	(13,696)	(7,690)	(7,210)	(15,017)	(14,035)	(30,214)	(28,237)
Profit from operations		30,239	28,351	33,091	31,025	44,953	42,146	50,223	46,937	8,418	7,868
Finance cost		(569)	(534)	(335)	(314)	(388)	(364)	(517)	(483)	(1,553)	(1,452)
Profit from ordinary activities before taxation		29,670	27,817	32,756	30,711	44,565	41,782	49,706	46,454	6,865	6,416
Taxation		(440)	(412)	(5,651)	(5,298)	(8,130)	(7,622)	(6,151)	(5,748)	(4,255)	(3,976)
Profit from ordinary activities after taxation		29,230	27,405	27,105	25,413	36,435	34,160	43,555	40,706	2,610	2,440
Minority interests		(1,511)	(1,417)	(1,401)	(1,314)	(1,895)	(1,777)	(2,280)	(2,131)	(842)	(787)
Profit attributable to shareholders	2	27,719	25,988	25,704	24,099	34,540	32,383	41,275	38,575	1,768	1,653
Proforma basic earnings per share	3	RMB0.148	HK\$0.139	RMB0.137	HK\$0.129	RMB0.184	HK\$0.173	RMB0.220	HK\$0.205	N/A	N/A
Earnings per share											
Basic	3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	RMB0.72 cents	HK\$0.67 cents
Diluted	3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	RMB0.70 cents	HK\$0.65 cents

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION (continued)

Notes:

1. The summary of the combined results of each of the three years ended 31 December 1998 have been extracted from the accountants' report included in the Company's Prospectus for the placing and new issue of shares dated 14 January 2000. The summary of the combined results for the year ended 31 December 1999 has been extracted from the Group's 1999 annual report. The summary of the combined results for the four years ended 31 December 1999 was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis set out in note 1 to the accounts. The results of the Group for the year ended 31 December 2000 are those set out on page 29 of the accounts.
2. For each of the four years ended 31 December 1999, Guangxi Baixing Nanfang Food Co., Ltd., ("Guangxi Baixing"), a subsidiary of the Group, declared and paid dividends of approximately RMBNil (HK\$Nil), RMB45.3 million (HK\$42.4 million), RMB28.9 million (HK\$27.1 million), RMB27.8 million (HK\$26.0 million) respectively to its former equity owners.
3. The computation of proforma basic earnings per share for the four years ended 31 December 1999 was based on the Group's profit attributable to shareholders and on the assumption that 187,500,000 shares were in issue throughout that period. The computations of basic and diluted earnings per share for the year ended 31 December 2000 are set out in note 11 to the accounts.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 12 to the accounts.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 15 to the accounts.

BORROWINGS

Details of the Group's borrowings at the balance date are set out in note 20 to the accounts.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers of the Group for the year ended 31 December 2000 accounted for approximately 25.8% (1999: 21.1%) of the Group's turnover for the year. In particular, sales to the Group's largest customer for the year ended 31 December, 2000 accounted for approximately 8.3% (1999: 5.6%) of the Group's turnover for the year.

Purchases from the five largest suppliers of the Group for the year ended 31 December 2000 accounted for approximately 45.2% (1999: 31.4%) of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier for the year ended 31 December 2000 accounted for approximately 19.6% (1999: 8.1%) of the Group's purchases for the year.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS *(continued)*

Guangxi Havle Group Rongxian Nan Fang Packaging Co., Ltd (廣西黑五類集團容縣南方包裝有限責任公司) ("Nan Fang Packaging"), 84% interest of which is owned by Guangxi Havle Foodstuff Group ("Guangxi Havle Group"), is one of the Group's five largest suppliers. Its supply of packaging materials to the Group accounted for approximately 7.3% of the Group's total purchases for the year (1999: 6.7%). Please refer to the paragraph headed "Connected transactions and directors' interest in contracts" for details of the connected transactions with Guangxi Havle Group.

Except for the indirect interest in Nan Fang Packaging through the Guangxi Havle Group, so far as the Board is aware, neither the directors, their associates, nor those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital had any beneficial interest in the Group's five largest customers and/or five largest suppliers mentioned in the preceding paragraphs.

SHARE CAPITAL

Details of changes in the Company's share capital during the year, together with reasons therefor, are set out in note 24 to the accounts.

RETAINED PROFITS AND RESERVES

Details of movements in retained profits and reserves of the Company and the Group during the year are set out in note 25 to the accounts.

DISTRIBUTABLE RESERVES

As at 31 December 2000, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately RMB86,716,000 (1999: RMB86,716,000). In accordance with the Companies Act 1981 of Bermuda (as amended), the contributed surplus may only be distributed in certain circumstances.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year were:

Executive Directors

Mr. Li Han Chao (Chairman)
Mr. Li Han Rong (Managing Director and Deputy Chairman)
Mr. Wei Qing Wen
Mr. Chen Ching
Madam Cheng Hung Mui
Mr. Sun Tian Gang (appointed on 20 July 2000)

Non-executive Directors

Mr. Li Jun Jie
Mr. Wong Chi Sinn, Winston (resigned on 31 August 2000)

Independent non-executive Directors

Mr. Wang Wei Hung
Mrs. Yip Susan

As set out in the offer document (the “Offer Document”) dated 28 March 2001 issued by Sun Hung Kai International Limited on behalf of China GeoMaxima Company Limited (“CGCL”) in relation to the mandatory unconditional cash offers (the “Offer”) to acquire all the issued shares of the Company, CGCL intends to appoint a majority of the directors of the Company upon closing of the Offer, which is expected to be prior to the annual general meeting of the Company.

The new board of directors of the Company is expected to comprise five executive directors including Mr. Sun Tian Gang, Mr. Zhu Jiazhen, Mr. Guo Ting, Mr. Zhao Xin Xian, Mr. Li Han Chao and two independent non-executive directors including Mr. Yu En Guang and Ms. Chong Sok Un, Shirley. Brief particulars of each of the proposed new directors of the Company are set out in the Offer Document.

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

In accordance with the Company's bye-law 86(2) and subject to the appointment of the new board, Mr. Zhu Jiazhen, Mr. Guo Ting, Mr. Zhao Xin Xian, Mr. Yu En Guang and Ms. Chong Sok Un, Shirley, will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors, except Mr. Sun Tian Gang, has entered into a service contract with the Company for a term of two years commencing from 11 January 2000 which provides that either party to the service contract may terminate the contract by serving to the other party a written notice of not less than three months prior to the effective date of termination.

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

DIRECTORS' INTEREST IN SHARES

The directors of the Company who held office at 31 December 2000 had the following interests in the issued share capital of the Company, subsidiaries and other associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) at that date as recorded in the register of directors' share interests:

Director	Number of shares	Nature of interests	Name of company
Li Han Rong	(i) 56,535,052 shares	Corporate (<i>Note</i>)	PNF Food Holdings Limited
	(ii) 25,500 non-voting deferred shares	Personal	Amersham Investment Limited
Li Han Chao	(i) 31,094,279 shares	Corporate (<i>Note</i>)	PNF Food Holdings Limited
	(ii) 14,025 non-voting deferred shares	Personal	Amersham Investment Limited
Wei Qing Wen	24,975 non-voting deferred shares	Personal	Amersham Investment Limited
Cheng Hung Mui	(i) 78,650,234 shares	Corporate (<i>Note</i>)	PNF Food Holdings Limited
	(ii) 10,500 non-voting deferred shares	Personal	Amersham Investment Limited
Chen Ching	1,323,696 shares	Personal	PNF Food Holdings Limited

REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN SHARES (continued)

Note: Kindhearted Holdings Limited ("Kindhearted") was the registered and beneficial owner of 166,279,565 shares representing approximately 66.51% of the entire issued share capital of the Company as at 31 December 2000. Kindhearted is beneficially owned as to 34% by Messrs Li Han Rong, as to 18.7% by Messrs Li Han Chao and as to 47.3% by Madam Cheng Hung Mui. The interests beneficially owned by Madam Cheng Hung Mui is legally held by a trust the discretionary object of which is Madam Cheng Hung Mui. Kindhearted disposed of its entire equity interest in the Company to China GeoMaxima Company Limited ("CGCL") on 12 March 2001. Mr. Sun Tian Gang, a director of the Company, is the sole beneficial shareholder of CGCL.

Save as disclosed above, none of the directors of the Company or their associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance which were recorded in the register of directors' share interests.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's Share Option Scheme are set out in note 24 to the accounts.

At 31 December 2000, the directors of the Company had the following personal interests in options to subscribe for shares of the Company granted at nominal consideration under the Company's share option scheme. Each option gives the holder the right to subscribe for one share.

	Number of options outstanding at the year end	Date granted	Period during which options exercisable	Price per share to be paid on exercise of options	Market value per share at date of grant of options
Sun Tian Gang	6,000,000	4 August 2000	4 August 2000 to 3 August 2005	HK\$0.84	HK\$1.05
Chen Ching	500,000	4 August 2000	4 August 2000 to 3 August 2005	HK\$0.84	HK\$1.05

No options were exercised by the above directors during the year.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

REPORT OF THE DIRECTORS

DIRECTORS' REMUNERATION AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS

Particulars of the directors' remuneration and highest paid individuals' emoluments are set out in note 7 and note 8 to the accounts respectively.

RETIREMENT SCHEMES

The employees of Guangxi Baixing are members of a retirement scheme operated by a local authority in the PRC. Guangxi Baixing has provided RMB1,325,000 as contribution to the retirement scheme for the year ended 31 December 2000 (1999: RMB1,307,000).

The Group also operates a defined contribution scheme covering full time employees in Hong Kong. Both the Group and the relevant employees are required to make a monthly cash contribution equivalent to 5% of the relevant employees' salaries.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

- A. During the year, the Group had the following transactions with Guangxi Havle Group or its associated companies which constitute connected transactions pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"):
- (i) The Group has purchased packaging materials from Nan Fang Packaging;
 - (ii) The Group has purchased instant food products from Guangxi Havle Group;
 - (iii) The Group has used the hotel services of a hotel owned by Guangxi Havle Group Rongxian Rongzhou Hotel Co., Ltd.;
 - (iv) The Group has received licence fee income from Guangxi Havle Group Bai Se Food Co., Ltd. and Guangxi Havle Group Donglan Food Co. Ltd. pursuant to the agreements entered into by the Group with these parties for the sub-licence of the "Havle (黑五類)", "Nan Fang (南方)" and "Quick Up (快點)" trademarks;
 - (v) The Group has used certain premises, as regional sales offices, leased by Guangxi Havle Group from lessors who are independent third parties on short-term basis. The Group reimbursed Guangxi Havle Group for all rent paid by it in respect of such premises.

Guangxi Havle Group, an equity cooperation in the form of a collectively-owned enterprise established in the PRC which is owned as to 20% by Mr. Li Han Chao, as to 40% by Mr. Li Han Rong and as to 40% by Mr. Wei Qing Wen, all of whom are directors of the Company. Guangxi Havle Group is directly engaged in the business of herbal food, packaging materials, advertising, hotel, and property development and investment in the PRC.

Details of the discloseable connected transactions for the year are set out in note 27 to the accounts.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS *(continued)*

B. The independent non-executive directors have reviewed the terms of the aforesaid transactions and are of the opinion that:

- (i) the connected transactions have been entered into by the Group in the ordinary and usual course of the business of the Group;
- (ii) the connected transactions are effected on normal commercial terms (to the extent that there are comparable transactions) and on an arm's length basis, and on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (iii) the connected transactions have been carried out in accordance with the terms of the agreements governing such transactions or (where there is no such agreement) on terms no less favourable than terms available to/from independent third parties.

Save as disclosed above:

- (i) no contracts of significance subsisted at any time during the year to which the Company or any of its subsidiaries was a party and in which a director of the Company had material interest, whether directly or indirectly; and
- (ii) there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

C. Save as disclosed above, pursuant to Rule 8.11 of the Listing Rules, the directors are interested in the following businesses apart from the Group's business, which compete or are likely to compete, either directly or indirectly, with the Group's business.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS (continued)

Guangxi Havle Group holds minority interests in the following PRC enterprises which are engaged in the business of food manufacturing and food processing which may compete with the business of the Group:

Name of enterprise	Equity interests held by Guangxi Havle Group (Note)	Principal activities
Guangxi Havle Group Hebi Food Co., Ltd. (廣西黑五類集團鶴壁百姓南方食品有限公司)	49%	Manufacture and sale of soya milk products including soya milk, soya milk powder and other soya bean related products
Guangxi Havle Group Zhenjiang Food Co., Ltd. (廣西黑五類集團鎮江南方食品有限公司)	49%	Manufacture and sale of baby food including rice noodle, noodle and other rice related products
Guangxi Havle Group Bai Se Food Co., Ltd. (廣西黑五類集團百色快點食品有限公司)	42.76%	Manufacture and sale of fried vegetables and fruits
Guangxi Havle Group Donglan Food Co., Ltd. (廣西黑五類集團東蘭食品有限公司)	20%	Manufacture and sale of preserved fruits

Note: As far as the directors are aware, the respective holders of the remaining equity interests in the above PRC enterprises are independent third parties of the Group and are not connected persons (as defined in the Listing Rules) of the Group and save as disclosed, they have no other business relationship with or interest in the Group or any connected persons of the Group.

For each of the above enterprises, Guangxi Havle Group only holds a minority interest and an independent third party (who is not acting in concert with Guangxi Havle Group and/or its associates) holds the majority interest. Guangxi Havle Group has not participated in the daily management and operations of the above subject enterprises since their respective dates of incorporation. The directors of the Company, who do not have majority control over the boards of the above enterprises, also confirm that there is no competition between the Group and any business currently controlled or invested by Guangxi Havle Group.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

So far as the Board is aware, the following shareholder (not being directors or Chairman of the Company) was interested in 10% or more of the Company's issued shares at 31 December 2000:

Name	Number of shares	Approximate percentage of voting power at 31 December 2000
Kindhearted Holdings Limited (<i>Note</i>)	166,279,565	66.51

Note: 47.3% interest in Kindhearted Holdings Limited is held by a trust the discretionary object of which is Madam Cheng Hung Mui.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Li Han Chao (李漢朝), aged 45, is the Chairman of the Company and one of the co-founders of the Group. He is a food technology engineer with over 15 years of experience in the food manufacturing industry. He is responsible for the overall strategic planning, general management and product development of the Group. He is the younger brother of Mr. Li Han Rong.

Mr. Li Han Rong (李漢榮), aged 52, is the Managing Director and the Deputy Chairman of the Company and is also a co-founder of the Group. He is an economist and has over 15 years of experience in the food manufacturing industry. He is responsible for strategic planning and general management of the Group. He is the elder brother of Mr. Li Han Chao.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Mr. WEI Qing Wen (韋清文), aged 40, is an executive director and one of the co-founders of the Group. With over 15 years of experience in the food manufacturing industry, he is in charge of the overall management of Guangxi Baixing. Mr. Wei is currently the deputy of Guangxi province at the Ninth National People's Congress (第九屆全國人民代表大會), vice-chairman of the National Rural and Township Enterprises Association (中國鄉鎮企業協會), honorary chairman of the China's Black Food Product Industry Association (中華黑色食品工業協會), vice-chairman of the Guangxi Food Industry Association (廣西食品工業協會) and the Guangxi Quality Inspection Association (廣西質量檢驗協會) respectively. He was awarded the National Outstanding Private Ownership Entrepreneur (中國優秀民營企業家), the National Rural and Township Entrepreneur (全國鄉鎮企業家), the Redbud's Cup Outstanding Entrepreneur (紫荊杯傑出企業家), and the National Outstanding Food Industry Entrepreneur (全國食品工業優秀企業家). He is the husband of Madam Cheng Hung Mui.

Mr. CHEN Ching (陳靜), aged 52, is an executive director of the Company. He has over 20 years of experience in financial management. Prior to joining the Group in April 1999, he served as senior executives in various companies within the food sector and metal sector in the PRC. He is responsible for the overall financial management of the Group.

Madam CHENG Hung Mui (鄭紅梅), aged 30, is an executive director of the Company. She has over 5 years of experience in corporate affairs and administration and is responsible for the business development of the Group. Prior to joining the Group in April 1998, she worked in a bank in the PRC for four years. She is the wife of Mr. Wei Qing Wen.

Mr. SUN Tian Gang (孫天罡), aged 48, is an executive director and the president of the Company. He graduated from The Medical Institute of Shenyang (瀋陽市醫學院). Prior to assuming his current office, he worked as the PRC representative of a Japanese trading company. He has also worked as chief executive of a hotel in the PRC. Mr. Sun has over 17 years of experience in various sectors in Hong Kong and the PRC including hotel management, real estate, building materials, textile, food and electronic equipment. He is responsible for the business development of the Group. Mr. Sun was appointed as an executive director of the Company on 20 July 2000.

Non-executive Directors

Mr. LI Jun Jie (李俊杰), aged 42, is a non-executive director of the Company. He is a partner of Siyuan Consultants (思源諮詢顧問) which is engaged in investment and management consulting in the PRC. He graduated from Shanghai Fudan University (上海復旦大學). He is a PRC lawyer and a specialist in corporate mergers and acquisitions. Prior to assuming his current office, he has held various senior positions in the Shanghai Press and Publishing Administration (上海新聞出版局) and the Shanghai Institute of Social Science (上海社會科學院). Mr. Li joined the Group in March 1997.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-executive Directors (continued)

Mr. WONG Chi Sinn Winston (黃子羨), aged 38, is a non-executive director of the Company. He is an executive director of an investment company which engages in direct investments in the PRC. He holds a Bachelor of Science degree in Computer Science and a Master of Business Administration degree from Michigan State University. He has over ten years of experience in investment and stockbroking. Mr. Wong joined the Group in November 1999. Mr. Wong is the son of Madam Yu Ngan Kiu, the ultimate beneficial owner of Crystal River International Ltd., one of the financial investors of the Company. Mr. Wong has resigned as the director on 31 August 2000.

Independent non-executive Directors

Mrs. YIP Susan (葉蘇丹丹), aged 47, is an independent non-executive director of the Company. She is presently the managing director of Guo Ye Holdings Co., Ltd. which is engaged in China trade and direct investment in the PRC. She has extensive management experience in various fields in Asia which include consumer electronic industry, communications industry, and property development in the PRC.

Mr. WANG Wei Hung (王惟鴻), aged 45, is an independent non-executive director of the Company. He holds a Bachelor of Arts degree from Concordia University. He was admitted as a solicitor of Hong Kong in 1982 and became a notary public in 1992. Mr. Wang is a partner of Robert W H Wang & Co.

Senior Management

Mr. CHAN Cheuk Ho (陳卓豪), aged 34, is the financial controller of the Group and the company secretary of the Company. He is responsible for the financial control and management of the Group. Prior to joining the Group in March 2000, he held management positions in various listed companies in Hong Kong. He graduated from the Chinese University of Hong Kong with a bachelor degree in Business Administration in 1989 and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants.

Mr. CHEN De Kun (陳德坤), aged 38, is the general manager of Guangxi Baixing. Before he joined the Group in September 2000, he worked in the Guangxi Halve Group as a director for over six years. With over 14 years of experience in the food manufacture industry, he is responsible for the business development and sales management of Guangxi Baixing.

Mr. HU Bo (胡泊), aged 32, is the vice-president and the head of finance department of Guangxi Baixing. He graduated from the Guangxi Economic and Finance College (廣西財經學校) in 1990. Mr. Hu joined the Group in December 1995.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Senior Management (continued)

Mr. QIN Dan Wu (覃旦武), aged 38, is the vice-president and head of the production department of Guangxi Baixing. He graduated from the Guangxi Agriculture and Farmers University (廣西農墾職工大學) and is an economist. He has more than 12 years of experience in the food industry. Mr. Qin joined the Group in August 1987.

Mr. ZHOU Hai (周凱), aged 31, is the head of the product development department of Guangxi Baixing. He graduated from the Guangxi Polytechnic (廣西工學院) and has more than 7 years of experience in the food and beverage industry. Mr. Zhou joined the Group in August 1992.

Mr. LIANG Guang Quan (梁廣全), aged 52, is the head of the accounting department of Guangxi Baixing. He graduated from the Guangxi Economic Management Cardres School (廣西經濟管理幹部學院) in 1991 and is a PRC certified accountant. Mr. Liang joined the Group in May 1984.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Board, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules throughout the accounting period covered by the annual report, except that all non-executive directors of the Company are not appointed for any specific term of office but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Company established an audit committee on 6 January 2000 with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules. The audit committee comprises Mrs. Yip Susan and Mr. Wang Wei Hung, the two independent non-executive directors of the Company. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The annual report of the Company containing all the information required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

LI Han Chao

Chairman

Hong Kong, 6 April 2001