

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries, associate and jointly-controlled entities are set out in notes 13, 14 and 15 to the financial statements, respectively.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 December 2002 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 58.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified or restated as appropriate, is set out below. The amounts for each year in the five year financial summary have been adjusted for the effects of the retrospective changes in accounting policy affecting dividends, as detailed in note 2 to the financial statements.

	Year ended 31 December 2002	Year ended 31 December 2001	Year ended 31 December 2000	Year ended 31 December 1999	Year ended 31 December 1998
RESULTS	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	<u>72,809</u>	<u>1,231,885</u>	<u>3,079,845</u>	<u>4,117,487</u>	<u>2,339,027</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(35,863)</u>	<u>(74,319)</u>	<u>8,017</u>	<u>9,883</u>	<u>8,481</u>

SUMMARY FINANCIAL INFORMATION *(Continued)*

	2002	2001	2000	1999	1998
ASSETS AND LIABILITIES	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TOTAL ASSETS	177,864	231,368	464,875	636,300	854,897
TOTAL LIABILITIES	(13,746)	(30,997)	(204,290)	(384,770)	(611,871)
	<u>164,118</u>	<u>200,371</u>	<u>260,585</u>	<u>251,530</u>	<u>243,026</u>

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets of the Company and the Group and the investment properties of the Group are set out in notes 11 and 12 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefore, are set out in note 22 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2002, the Company has no reserve available for distribution as calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the aggregate turnover attributable to the five largest customers of the Group accounted for approximately 98% of the Group's total turnover for the year and sales to the largest customer included therein amounted to approximately 80% of the Group's total turnover.

The aggregate purchases from the five largest suppliers of the Group accounted for approximately 97% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to approximately 81% of the Group's total purchases.

As far as the directors are aware, neither the directors, their associates, nor those shareholders (which, to the best of 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 suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Cheung Siu Lam (*Chairman*)

Chan Yuk Ming (*Vice-Chairman*)

Yu Hei Wung, Raymond

Lo Wan

Cheung Siu Yan (resigned on 9 Sept 2002)

Zhang Wei (resigned on 22 Apr 2002)

Independent non-executive directors:

Wang Jian Sheng

Chan Chun Keung

Choy Ming Yuk

In accordance with article 105 of the Company's articles of association, Mr. Chan Chun Keung and Mr. Choy Ming Yuk will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The directors of the Company, including the independent 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 articles of association.

DIRECTORS' SERVICE CONTRACTS

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 of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either direct or indirect, 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.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 December 2002, the interests of the Company's directors and their associates in the share capital of the Company, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Ordinary Shares of the Company

Name of director	Number of shares held and nature of interest		
	Personal interest	Corporate interest	Total
Cheung Siu Lam	104,210,000	57,600,000 (<i>Note</i>)	161,810,000
Lo Wan	440,000	57,600,000 (<i>Note</i>)	58,040,000

Note: Arbalice Holdings Limited, a company controlled by Mr. Cheung Siu Lam and his wife, Ms. Lo Wan, held 57,600,000 shares in the Company.

Save as disclosed above, as at 31 December 2002, none of the directors or their associates had any interest in the equity or debt securities or rights in the share capital of either the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the headings "Directors' interests in share capital" above and "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDER

At 31 December 2002, according to the register required to be kept under Section 16(1) of the SDI Ordinance, the following party was interested in 10% or more of the issued share capital of the Company:

Name	Number of shares held	Percentage of the Company's issued share capital
Arbalice Holdings Limited	57,600,000	10.2

Except as disclosed above, no person, other than Mr. Cheung Siu Lam and Ms. Lo Wan, whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded in the register pursuant to Section 16(1) of the SDI Ordinance.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and reward to eligible participants who contribute to the success of the Group's operation on 19 March 1993. The Scheme expired on 19 March 2003.

Details of the share options granted under the Scheme and remain outstanding as at 31 December 2002 are as follows:

	Options held at 1 Jan 2002	Options granted during the year	Options Exercised during the year	Options held at 31 Dec 2002	Exercise Price (Note 1) HK\$	Grant date	Exercisable from	Exercisable until
Cheung Siu Lam	13,900,000	—	—	13,900,000	0.163	18 May 99	18 Nov 99	17 May 04
Chan Yuk Ming	10,200,000	—	—	10,200,000	0.163	18 May 99	18 Nov 99	17 May 04
Lo Wan	13,900,000	—	—	13,900,000	0.163	18 May 99	18 Nov 99	17 May 04
Continuous contract employees	1,000,000	—	—	1,000,000	0.218	8 Jul 99	8 Jan 00	7 Jul 04

Notes:

1. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
2. 3,100,000 share options of the Company granted to Mr. Zhang Wei were lapsed on 22 April 2002 pursuant to the Scheme due to his resignation as director of the Company.
3. 2,500,000 share options of the Company granted to Mr. Cheung Siu Yan were lapsed on 9 September 2002 pursuant to the Scheme due to his resignation as director of the Company.

Summary details of the Company's share option scheme are also set out in note 22 to the financial statements.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

FINANCIAL ASSISTANCE TO AFFILIATED COMPANY

In accordance with the provision of Practice Note 19 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company's subsidiary has provided financial assistance to an associate, namely, Taicang Huifeng Chemical Fertilizer Co., Ltd. (the "Borrower").

As at 31 December 2002, obligations in relation to the above-mentioned financial assistance by the Group continued to exist. Set out below is an unaudited pro forma balance sheet of the Borrower as at 31 March 2003 (being the latest practicable date for determining the relevant amounts) required to be disclosed under Practice Note 19 of the Listing Rules:

Unaudited pro forma balance sheet of the Borrower

As at 31 March 2003

	<i>HK\$'000</i>
Fixed assets	14,816
Current assets	71,914
Current liabilities	(68,621)
Net current assets	3,293
Net assets	18,109
Group's share of net assets	5,433
Financial assistance given by the Company's subsidiary	
Advances	3,269

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 28 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities 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 Listing Rules of The Stock Exchange of Hong Kong Limited throughout the accounting year covered by the annual accounts. Independent non-executive directors of the Company are not appointed for a specific term, but are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the provisions of the Company’s Articles of Association.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises three of the independent non-executive directors of the Company.

AUDITORS

Charles Chan, Ip & Fung CPA Ltd retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf Of The Board

Cheung Siu Lam

Chairman

Hong Kong

23 April 2003