

PROFILE

During the year ended 31 December 2003, the Group is principally engaged in the agricultural businesses in the People's Republic of China (the "PRC") which currently include nurturing, selling and trading of tree seedlings and seeds, and the manufacture and sales of aquatics feed products in the PRC. Besides, the Group engaged for the first time in the veterinary medicine since February 2004.

FINANCIAL REVIEW

For the financial year ended 31 December 2003, the Group recorded a total turnover of HK\$80,093,000 (2002: HK\$54,768,000), representing an increase of 46.2% as compared to last year. The increase was mainly attributable to the substantial growth of business of sale of tree seedlings and seeds. Net loss from operating activities was HK\$1,795,000 (2002: HK\$88,600,000). Sale of tree seedlings and seeds of HK\$74,630,000 (2002: HK\$460,000) accounted for 93.2% (2002: 0.8%) of the total turnover, while sale of shrimp feed products of HK\$5,463,000 (2002: HK\$54,308,000) accounted for 6.8% (2002: 99.2%) of the Group's total turnover. The directors resolved in the second half of 2003 to substantially scale down and to discontinue the operations of Qionghai Juhua, i.e. the shrimp feed business.

During the year ended 31 December 2003, the Group's net loss from ordinary activities attributable to shareholders was HK\$10,606,000 representing a significant decrease by 88.8%. The main reason for the decrease in net loss was mainly due to the substantial growth of business of sale of tree seedlings and seeds.

The basic loss per share was HK0.61 cents (2002: HK6.61 cents).

BUSINESS REVIEW

In 2003, as the business re-organisation had basically completed, the Group endeavored to intensify internal management structure and implement complete and well-knit operational system while actively enrolling professionals to facilitate the business development of the Group. In spite of the threat of Severe Acute Respiratory Syndrome ("SARS"), the Group had managed to achieve respectable turnover growth and steady development.

The Group set foot in the afforestation industry following its acquisition of 70% interests of Hebei Bashang Plant Seeds Co. Limited ("Hebei Bashang") at the end of October 2002. Benefited from the policy of the Government to promote agricultural development and to encourage national afforestation projects, and coupled with the synergic relationship established between the Group and relevant government authorities and the competitive strength and know-how we have regarding relevant industries, this investment had generated profit growth to the Group. For the year ended 31 December 2003, Hebei Bashang recorded a turnover of HK\$74,630,000, accounting for 93.2% of the Group's turnover, and had made profit contribution of HK\$27,097,000 to the Group.

BUSINESS REVIEW *(Continued)*

In the meantime, during the year under review, the turnover of aquatics feed products recorded a decrease as the Group had disposed part of the aquatics feed products business at the end of 2002. Besides, the Group realised the disadvantaged operational environment and the limited development opportunities would pose a threat to the Group's business, so the directors resolved to substantially scale down and to discontinue the operations of Qionghai Juhua in the second half of 2003. The Group believes that the time and the capital should be put on the development in its core high-tech, large scale and industrialised agricultural businesses.

During the year, at the same time, the Group took advantage of its listing status to raise capital by entering into 8 subscription agreements with the places. Under these agreements, on 21 January 2004, the Group placed to the places 325,400,000 new shares at HK\$0.070 per Share. The net proceeds received by the Company under the Placing was approximately HK\$22,778,000, which will be used as general working capital of the Group for its day-to-day operations.

Prospects

The Group based on the foundation of "Knowledge and Capital Oriented Agriculture" to actively extend and seek new business development. While focusing on agriculture-related business, the Group had also taken the initiative to engage in the veterinary medicine industry to sell and manufacture prescription for livestock and poultry, in order to realise business diversification and to broaden the Group's revenue base.

In light of the wide outbreak of Avian Influenza in Asia which has resulted in the serious attention in those affected countries and this also arouse people attention on food safety, the Group anticipated that the demand for the prescription of livestock and poultry will increase. On 17 February 2004, through the acquisition of Harvard Technology Limited, the Group indirectly acquire 66.67% equity interest in Zhengzhou Harvard Animal Medicine Limited. The Group will be engaged in the sales and production of pharmaceutical prescriptions for livestock and poultry, including the prescription for Avian Influenza in live birds and foot and mouth disease in livestock. This acquisition represented the Group's major strategic move to expand its business scale and to diversify into the sector of production and sale of veterinary medicine and is expected to bring about desirable return for the Group.

In order to realise sustainable business development, the Group intends to introduce some multi-national institutional investors and resourceful property investors as strategic business partners in the year ahead, aiming to become one of the leading high-tech agricultural corporate groups in the PRC.

Looking ahead, the Group will continue to furnish business after re-organisation. With its favorable position in the nurturing, selling and trading of tree seedlings and seeds, the Group is confident to realise business development. On the other hand, the Group will also devote itself to the development of new veterinary medicine and diversify into the new business, including the ones with high growth potential and high technology content. By focusing on the aforementioned areas, the Group dedicates to become one of the leading high-tech agricultural enterprise groups in the PRC.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2003, the Group's net current assets, net assets and total assets were HK\$179,499,000 (2002: HK\$134,052,000), HK\$262,068,000 (2002: HK\$243,074,000) and HK\$355,740,000 (2002: HK\$358,573,000), respectively. The cash and cash equivalents were mainly denominated in Renminbi. The Group is permitted to exchange Renminbi for foreign currencies through the authorisation of the bank to conduct foreign exchange business under the relevant regulations of the laws in the PRC. As at 31 December 2003, the Group had cash and cash equivalents of approximately HK\$169,000 (2002: HK\$8,476,000). The Group had deposited the money in banks in the PRC and licensed banks in Hong Kong. The Group financed the operations primarily through the internal generated funds and the net proceeds from the new issue of the exercise of the Conversion Note.

During the year, the Company issued 150,000,000 new ordinary shares of the Company of HK\$0.01 per share by way of new issue due to the exercise of the conversion right attaching to the Convertible Note with a face value of HK\$30,000,000 at a conversion price of HK\$0.20 per ordinary share of the Company. Taking the current year earnings into account, the Shareholder's equity as ended on 31 December 2003 recorded approximately HK\$262,068,000 (2002: HK\$243,074,000).

For the year ended 31 December 2003, the Group conducted its business transactions principally in Hong Kong dollars and Renminbi. The Group had not experienced any material difficulties or negative effects on its operations as a result of fluctuations in currency exchanges rates. The Directors believe it was not necessary to hedge the exchange risk. Nevertheless, the management will continue to monitor the foreign exchange exposure and will take prudent measure as deemed appropriate.

As at 31 December 2003, since the Group has no long-term borrowing, its financial position stays healthy with zero gearing, which is expressed as a percentage of the long-term liabilities, over the shareholders' equity at the balance sheet date. Additionally, the Group's liquidity ratio was 409.1% as at 31 December 2003, reflecting the presence of sufficient financial resources. The calculation of liquidity ratio is based on current assets of HK\$237,571,000 (2002: HK\$157,859,000) and the current liabilities of HK\$58,072,000 (2002: HK\$23,807,000) as at the balance sheet date.

CAPITAL EXPENDITURE

During the year under review, the Group spent HK\$59,000 on purchasing additional plant, machinery and equipment.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2003, the total number of employees of the Group in Hong Kong and the PRC was 80 (2002: 61 employees). Staff costs amounted to HK\$2,651,000 (2002: HK\$3,825,000). The Board has long recognised that talent is vital to the Group's expansion. The salaries of employees are therefore determined at a competitive level based on their responsibilities and labour market conditions. Other staff benefits for Hong Kong employees include the Hong Kong Mandatory Provident Fund, insurance, professional training subsidies and grant of share options.

The new share option scheme adopted by the Company in June 2002 provided that the Board may grant to full-time employees (including Executive Directors) of the Group to subscribe for shares of the Company pursuant to the provisions of the scheme.

The Company also engaged into Directors Insurance Scheme for directors to protect the Group from any contingent liability that might arise in the course of normal business operations.

SIGNIFICANT INVESTMENT AND ACQUISITION

During the year under review, the Group made no material acquisition or disposal of subsidiaries and associates nor had it made any significant investment, except for the Group has made a deposits of HK\$126,000,000 for future investments to an investment advisor.

CHARGES ON ASSETS

As at 31 December 2003, the Group had not pledged any asset to its bankers to secure banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2003, the Group is not aware of any major contingent liabilities that will cause substantial change to the Group's operations, except for corporate guarantees of HK\$12,289,000 (2002: HK\$15,409,000) conditionally granted to a former subsidiary for its banking facilities. Details of the contingent liabilities of the Company and the Group as at 31 December 2003 are set out in note 34 to the financial statements.