

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

## **PRINCIPAL ACTIVITIES**

The Principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 18 to the financial statements. Other than the discontinuing of the Group's shrimp feed business as further detailed in note 7 to the financial statements, there were no significant changes in the nature of the Group's principal activities during the year.

## **RESULTS AND DIVIDENDS**

The loss of the Group for the financial year ended 31 December 2003 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 23 to 72.

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

## **RESERVES**

Details of movements in the reserves of the Company and of the Group during the financial year are set out in note 32 to the financial statements and in the consolidated summary statement of changes in equity.

## **DISTRIBUTABLE RESERVES**

As at 31 December 2003, the Company's reserves available for cash distribution and/or distribution in specie, comprising the contributed surplus account less accumulated losses, amounted to HK\$62,294,000. In accordance with the Bermuda Companies Act 1981, the contributed surplus may only be distributed in certain circumstances. In addition, the Company's share premium account with a balance of HK\$134,008,000 at 31 December 2003 may be distributed in the form of fully paid bonus shares.

## **SHARE CAPITAL**

Details of movements in share capital of the Company during the financial year, together with the reasons therefor, are set out in note 30 to the financial statements.

**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 below. This summary does not form part of the audited financial statements.

**RESULTS**

	<b>Year ended 31 December</b>				
	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
<b>TURNOVER</b>					
Continuing operations	<b>74,630</b>	460	–	–	–
Discontinuing/discontinued operations	<b>5,463</b>	54,308	139,341	285,102	256,735
	<b>80,093</b>	54,768	139,341	285,102	256,735
<b>PROFIT/(LOSS) BEFORE TAX</b>					
Continuing operations	<b>17,465</b>	(71,418)	(14,548)	(2,957)	(2,784)
Discontinuing/discontinued operations	<b>(19,260)</b>	(23,197)	(35,896)	48,075	67,282
	<b>(1,795)</b>	(94,615)	(50,444)	45,118	64,498
<b>TAX</b>					
Continuing operations	–	(280)	(3,640)	(1,482)	–
Discontinuing/discontinued operations	–	(54)	(348)	(4,435)	(7,422)
	–	(334)	(3,988)	(5,917)	(7,422)
<b>PROFIT/(LOSS) BEFORE MINORITY INTERESTS</b>	<b>(1,795)</b>	(94,949)	(54,432)	39,201	57,076
Minority interests	<b>(8,811)</b>	193	–	–	–
<b>NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>(10,606)</b>	(94,756)	(54,432)	39,201	57,076

**ASSETS, LIABILITIES AND MINORITY INTERESTS**

	<b>2003</b>	2002	<b>31 December</b>		
	<b>HK\$'000</b>	HK\$'000	2001	2000	1999
			HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	<b>355,740</b>	358,573	343,085	380,591	252,723
TOTAL LIABILITIES	<b>(58,072)</b>	(88,750)	(50,689)	(50,625)	(36,943)
MINORITY INTERESTS	<b>(35,600)</b>	(26,749)	–	–	–
	<b>262,068</b>	243,074	292,396	329,966	215,780

**FIXED ASSETS**

Details of movements in the fixed assets of the Company and of the Group during the financial year are set out in note 15 to the financial statements.

**DIRECTORS**

The directors of the Company during the year and up to the date of this report were:

**Executive directors:**

Dr. Hon Fong Ming, Perry (*Chairman and Chief Executive Officer*)

Dr. Qian Keming

Mr. Zhang Jiebin

Mr. Ke Yinbin

Mr. Fei Phillip

(appointed on 30 September 2003)

Mr. Chen Gang, Gordon

(appointed on 5 January 2004)

Mr. Shang Qingling

(resigned on 30 September 2003)

Mr. Yang Fang Guo

(resigned on 28 April 2003)

**Non-executive directors:**

Professor Zhu Junfeng

Ms. Shing Fong

(appointed on 28 April 2003)

Mr. Yu Enguang (*Independent*)

Professor Ma Qingguo (*Independent*)

Professor Lang Hsien Ping (*Independent*)

(retired on 30 June 2003)

Subsequent to the balance sheet date, on 5 January 2004, Mr. Chen Gang, Gordon was appointed as an executive director of the Company.

In accordance with clause 99 of the Company's Bye-laws, Professor Ma Qingguo and Mr. Zhang Jiebin, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with clause 102(B) of the Company's Bye-laws, Mr. Chen Gang, Gordon and Mr. Fei Phillip will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive directors do not have specific terms of appointment but are subject to retirement on the same basis as the executive directors as required by the Company's Bye-laws.

### 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 AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 3 to 7 of the annual report.

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 December 2003, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") were as follows:

#### Long positions in ordinary shares of the Company:

Name of directors	Nature and capacity of interest	Number of shares held	Percentage of the issued share capital of the Company
Hon Fong Ming, Perry	Held by controlled corporations (note (i))	515,126,000	28.50
Shing Fong	Directly and beneficially owned (note (ii))	28,032,000	1.55

Notes:

- (i) The interest disclosed represents the corporate interest of Dr. Hon Fong Ming, Perry in 515,126,000 ordinary shares in the Company held by Dragon Delta Limited, which is wholly and beneficially owned by Dr. Hon Fong Ming, Perry through Dragoncom Group Limited (formerly known as Dragoncom China Investment Limited) and Dragoncom (Hong Kong) Limited.
- (ii) Ms. Shing Fong held 28,032,000 ordinary shares in the Company in which 1,620,000 ordinary shares were jointly held by Ms. Shing Fong and Wu Guang Ning.

**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS (Continued)****Long positions in underlying shares of the Company:**

Name of directors	Date of grant of share options	Exercise period	Exercise price per share HK\$	Number of share options outstanding as at 01.01.2003	Number of share options outstanding as at 31.12.2003
Hon Fong Ming, Perry	26.06.2002	26.06.2002 – 20.06.2012	0.1312	900,000	900,000
	30.07.2002	30.07.2002 – 20.06.2012	0.2360	8,000,000	8,000,000
Qian Keming	26.06.2002	26.06.2002 – 20.06.2012	0.1312	864,000	864,000
Zhang Jiebin	26.06.2002	26.06.2002 – 20.06.2012	0.1312	900,000	900,000
Shang Qingling (Note 1)	26.06.2002	26.06.2002 – 20.06.2012	0.1312	864,000	864,000
Ke Yinbin	26.06.2002	26.06.2002 – 20.06.2012	0.1312	900,000	900,000
Yu Enguang	26.06.2002	26.06.2002 – 20.06.2012	0.1312	864,000	864,000
Ma Qingguo	26.06.2002	26.06.2002 – 20.06.2012	0.1312	864,000	864,000
Lang Hsien Ping (Note 2)	30.07.2002	30.07.2002 – 20.06.2012	0.2360	1,000,000	1,000,000

*Notes:*

- (1) During the year, Mr. Shang Qingling resigned as an executive director of the Company.
- (2) During the year, Professor Lang Hsien Ping retired as an independent non-executive director of the Company.

Save as disclosed herein, as at 31 December 2003, none of the directors or their associates held any interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from as disclosed under the heading "Directors' interests and short positions in shares, underlying shares and debentures of the Company and associated corporations" above, at no time during the financial year was the Company or any of its subsidiaries, a party to any arrangement to enable the directors, chief executive, or any of their respective spouses or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

**SHARE OPTION SCHEMES**

Particulars of the Company's share option scheme are set out in note 31 to the financial statements.

**DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in notes 24 and 37 to the financial statements, no director had a significant beneficial 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 financial year.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES**

At 31 December 2003, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

**Long positions in ordinary shares of the Company:**

<b>Name</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Dragoncom (Hong Kong) Limited <i>(note)</i>	Through a controlled corporation	515,126,000	28.50
Dragoncom Group Limited <i>(note)</i>	Through a controlled corporation	515,126,000	28.50
Dragon Delta Limited <i>(note)</i>	Directly beneficial owned	515,126,000	28.50

*Note:* The 515,126,000 shares were held by Dragon Delta Limited, which is wholly and beneficially owned by Dr. Hon Fong Ming, Perry through Dragoncom Group Limited (formerly known as Dragoncom China Investment Limited) and Dragoncom (Hong Kong) Limited.

Save as disclosed herein as at 31 December 2003, no person (other than a director of the Company) had an interest or short positions in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

**MAJOR CUSTOMERS AND SUPPLIERS**

In the year under review, sales to the Group's five largest customers accounted for approximately 60.0% of the total sales for the year and sales to the largest customer included therein amounted to approximately 17.3%. Purchases from the Group's five customers accounted for approximately 87.8% of the total purchases for the year and purchases from the largest customer included therein amounted to approximately 77.9%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

**PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the financial year.

### **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.

### **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

The directors consider that the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report, except that non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws.

### **RELATED PARTY TRANSACTIONS**

Details of the significant related party transactions of the Group during the financial year are set out in note 37 to the financial statements.

### **POST BALANCE SHEET EVENTS**

Details of the significant post balance sheet events of the Group are set out in note 38 to the financial statements.

### **AUDIT COMMITTEE**

The Audit Committee comprises Professor Ma Qingguo (Chairman) and Mr. Yu Enguang, both are independent non-executive directors of the Company. Its principal duties include the review and supervision of the Company's financial reporting process and internal controls. The audited financial statements for the financial year ended 31 December 2003 have been reviewed by the Audit Committee who are of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

During the year, Professor Ma Qingguo was appointed as the Chairman of the Audit Committee on 21 July 2003 in place of Professor Lang Hsien Ping who retired on 30 June 2003.

### **AUDITORS**

Ernst & Young 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

**Dr. Hon Fong Ming, Perry**

*Chairman and Chief Executive Officer*

Hong Kong  
27 April 2004