

The directors have pleasure in presenting their annual report and the audited financial statements of the Company and of the Group for the year ended 30 April 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries property investment and general trading.

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 30 April 2004 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 30 April 2004 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 16 to 54.

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

SUMMARY FINANCIAL INFORMATION

The following is a summary of the combined/consolidated results of the Group for the last five financial years and its assets, liabilities and minority interests as at 30 April 2000, 2001, 2002, 2003 and 2004, prepared on the basis set out in the notes below.

SUMMARY FINANCIAL INFORMATION (continued)

RESULTS

	Year ended 30 April				
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
TURNOVER	1,514	289,288	370,533	469,698	435,260
(LOSS)/ PROFIT AFTER FINANCE COSTS	(25,478)	(70,271)	(46,895)	(23,701)	52,726
GAIN ON DISPOSALS OF SUBSIDIARIES	3,335	60,101	–	–	–
SHARE OF PROFIT OF A JOINT VENTURE	–	5,200	–	–	–
SHARE OF (LOSS)/PROFIT OF AN ASSOCIATE	–	–	(6,391)	3,762	2,653
(LOSS)/ PROFIT BEFORE TAX	(22,143)	(4,970)	(53,286)	(19,939)	55,379
TAX	(5)	–	(199)	(2,422)	(2,368)
(LOSS)/ PROFIT BEFORE MINORITY INTERESTS	(22,148)	(4,970)	(53,485)	(22,361)	53,011
MINORITY INTERESTS	–	3	176	5,115	(2,594)
NET (LOSS)/ PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(22,148)	(4,967)	(53,309)	(17,246)	50,417

SUMMARY FINANCIAL INFORMATION (continued)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2004	2003	30 April 2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Restated)
NON-CURRENT ASSETS	83,875	53,052	47,240	102,848	69,668
CURRENT ASSETS	11,105	82,310	147,876	116,050	176,516
TOTAL ASSETS	94,980	135,362	195,116	218,898	246,184
CURRENT LIABILITIES	(2,619)	(21,469)	(99,542)	(96,999)	(82,684)
MINORITY INTERESTS	–	–	–	–	(11,119)
NET ASSETS	92,361	113,893	95,574	121,899	152,381

Notes:

- Prior to 1 September 1999, the Group had a 100% equity interest in Fu Qing Sanhua Forage Co., Ltd. ("Fu Qing Sanhua") and a 99% equity interest in Fuqing Qixiang Food Co., Ltd. ("Fuqing Qixiang"). Pursuant to a Group reorganisation, on 9 September 1999, the Group disposed of a 51% equity interest in Fu Qing Sanhua and a 29% equity interest in Fuqing Qixiang to Great Global Limited ("GGL") for an aggregate consideration of approximately US\$2,465,000 (equivalent to HK\$19,080,000) computed based on the unaudited net asset value of the relevant equity interests of Fu Qing Sanhua and Fuqing Qixiang disposed of as at 1 September 1999, the effective date of the disposal.

The above summary of the combined results of the Group for each of the two years ended 30 April 2000 was prepared on a pro forma basis to reflect the Group reorganisation, as set out above, as if the Group structure as at 5 October 1999, when the Company became the holding company of the companies now comprising the Group, had been in existence throughout these financial years. The results of the Group for the two years ended 30 April 2004 are set out on page 16 of the annual report.

- The assets, liabilities and minority interests of the Group for the year ended 30 April 2000 have been adjusted for the effect of the retrospective changes in accounting policy affecting proposed dividends.

FIXED ASSETS

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

SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements in the Company's share capital during the year, together with the reasons therefor, and details of the warrants and share option scheme of the Company are set out in note 25 and 26 to the financial statements respectively and disclosed under the heading "Share Option Schemes" below.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 28 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 April 2004, the Company had no reserves available for distribution.

CLOSURE OF REGISTER OF MEMBER

The Register of member of the Company will be closed from 14 October 2004 to 18 October 2004 (both days inclusive). Shareholders must lodge any transfers of shares (with the relevant share certificates) with the Company's registrar, Tengis Limited, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration by no later than 4:30 pm on 13 October 2004.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for approximately 100% of the total sales for the year and sales to the largest customer included therein amounted to approximately 57% of the total sales.

Purchases from the Group's five largest suppliers accounted for approximately 100% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 51% of the total purchases.

As far as the directors are aware, none of the directors of the Company or their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), nor 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 or suppliers.

DIRECTORS

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

Executive directors:

Mr. Lai Leong (*chairman*)

Mr. Zhu Yi Cai

Mr. Wang Hao

Non-executive directors:

Mr. Kwok Chi Sun, Vincent

Mr. Li Siu Lok, Albert

Ms. Wan Choi Ha

Independent non-executive directors:

Dr. Chow King Wai

Mr. Chu Kar Wing

In accordance with clause 87 of the Company's bye-laws, Mr. Zhu Yi Cai and Ms. Wan Choi Ha will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS BIOGRAPHIES

Directors

Mr. Lai Leong, aged 40, is the Chairman of the Company. Mr. Lai has worked for several property and trading companies in the People's Republic of China (the "PRC") and has over 12 years of experience in corporate management for companies in Hong Kong and in the PRC.

Mr. Zhu Yi Cai, aged 40, is an executive director of the Company. Mr. Zhu graduated from a university in the PRC and has over 16 years of experience in managing food manufacturing and processing companies in the PRC.

Mr. Wang Hao, aged 41, is an executive director of the Company. Mr. Wang is engaged as investment consultant in several listed companies in the PRC and has over 11 years of experience in investment management for companies in the PRC.

Mr. Kwok Chi Sun, Vincent, aged 41, is a non-executive director of the Company. Mr. Kwok is the proprietor of Vincent Kwok & Co. Certified Public Accountants and has over 18 years of experience in audit and finance.

Mr. Li Siu Lok, Albert, aged 44, is a non-executive director of the Company. Mr. Li graduated from the University of Hong Kong with Bachelor of Science (Engineering) in 1985 and The Chinese University of Hong Kong with a Master Degree in Business Administration in 1997. Mr. Li has more than 14 years of business management experience in multi-national corporations.

DIRECTORS BIOGRAPHIES (continued)

Ms. Wan Choi Ha, aged 36, a non-executive director of the Company. Ms Wan is a solicitor qualified in Hong Kong, and has been practising in Hong Kong for about 10 years. She is a principal partner of a law firm. She holds a Bachelor's degree in laws from The University of Hong Kong.

Dr. Chow King Wai, aged 49, is an independent non-executive director of the Company. Dr. Chow holds a doctorate conferred by the University of Texas. He has substantial experience in strategic development and management, and has published widely in the field of administrative science. He is currently setting up a center of excellence in strategic development.

Mr. Chu Kar Wing, aged 47, is an independent non-executive director of the Company. Mr. Chu holds a bachelor degree in social science majoring in economics. Mr. Chu has extensive experiences in banking and finance sector for many years. He is also the independent non-executive director of another listed company in Hong Kong. He now acts as the general manager of a leading stationery company.

DIRECTORS' SERVICE CONTRACTS

All of the executive directors entered into service contracts with the Company for terms of 3 years commencing from 4 February 2002 which are determinable by either party giving not less than 6 months' written notice.

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 of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group transacted during the period from 1 May 2004 up to the date of this report are set out in note 32 to the financial statements.

DIRECTORS' INTERESTS IN SHARES

As at 30 April 2004, the interest of the directors and their associates in the shares and underlying shares of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long Position

Ordinary shares of HK\$0.1 each of the Company:

Director	Nature of interest	Number of shares held	Number of warrants held
Mr. Lai Leong	Corporate (<i>Note</i>)	980,020,000	–
Mr. Zhu Yi Cai	Corporate (<i>Note</i>)	980,020,000	–

Note: These shares were held through Wealth Success Limited ("Wealth Success"), a company beneficially owned by Mr. Zhu Yi Cai and Mr. Lai Leong as to 52% and 48%, respectively.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the equity securities of the Company or any of its associated corporations, as defined in the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the head in "Directors' interests in shares " above, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEMES

Pursuant to an annual general meeting of the Company held on 31 October 2002, the share option scheme adopted by the Company on 19 October 1999 (the "Old Scheme") was terminated and a new scheme (the "New Scheme") was adopted by the Company. As a result, the Company can no longer grant any further options under the Old Scheme. However, no option was granted prior to the termination of the Old Scheme. The purpose of the New Scheme is to enable the Company to grant options to eligible participants, thereby as an incentive or rewards for their contribution to the Group. Eligible participants of the New Scheme include the directors, employees, suppliers, customers and shareholders of the Group. Unless otherwise terminated or amended, the New Scheme will remain in force for ten years from date of adoption to 31 October 2012.

Pursuant to the New Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company at any time. The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK\$1.00 received by the Company. The exercise period of the share options granted is determinable by the Directors, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the Directors, but in any case must be the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. As at 30 April 2004, no option has been issued under the New Scheme.

As at this report date, no share is granted under both the Old and New Schemes.

SUBSTANTIAL SHAREHOLDERS

Other than the shares held by Wealth Success, as disclosed under the heading "Directors' interests in share" above, no other person had registered an interest of 5% or more in the issued share capital of the Company that was required to be recorded in the register of interests pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE

Except that the independent non-executive directors were not appointed for any specific terms as they would be subject to retirement by rotation in accordance with the Bye-laws of the Company, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

AUDIT COMMITTEE

In accordance with the requirements of the Code, as set out in Appendix 14 of the Listing Rules, the Company set up an audit committee (the "Committee") in 2000 with written terms of reference for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Committee comprises Dr. Chow King Wai and Mr. Chu Kar Wing, two independent non-executive directors of the Company. The Group's financial statements for the year ended 30 April 2004 have been reviewed by the Committee.

AUDITORS

The financial statements for the year ended 30 April 2002 were audited by Ernst & Young. Ernst & Young resigned as the auditors of the Company on 17 February 2003 and the directors appointed Charles Chan, Ip & Fung CPA Ltd. (changed its name of practice to CCIF CPA Limited on 25 August 2004) as auditors to fill the causal vacancy. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint CCIF CPA Limited as auditors of the Company.

ON BEHALF OF THE BOARD

Lai Leong

Chairman

Hong Kong

30 August 2004