

| Report of the Directors |

The directors have pleasure of presenting the annual report together with the audited financial statements of the Company and the Group for the year ended 31 December 2004.

Principal Activities

The principal activities of the Company is investing holding. The principal activities and other particulars of the subsidiaries, associates and jointly-controlled entities are set out in note 14, 15 and 16 to the financial statements, respectively.

Segmental Information

The analysis of the Group's turnover and contribution to results by principal activities and geographical locations of the operations for the year ended 31 December 2004 is set out in note 4 to the financial statements.

Results & Dividends

The Group's profit for the year ended 31 December 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on page 22 to 24. The directors do not recommend the payment of any dividend in this year (2003: nil).

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 26 to the financial statements.

Fixed Assets and Investment Properties

Details of the movements in fixed assets of the Company and the Group and investment properties of the Group are set out in note 12 and 13 to the financial statements, respectively.

Share Capital and Share Options

Details of the movements in share capital and share options of the Company during the year, together with the reasons therefor, are set out in note 25 to the financial statements.

Distributable Reserves

Profit from ordinary activities after taxation attributable to shareholders of HK\$11,842,000 (2003: HK\$10,337,000) has been transferred to reserves. At 31 December 2004, the Company has no reserve available for distribution as calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance.

Report of the Directors (con't)

Major Customers and Suppliers

In the year under review, the aggregate turnover attributable to the five largest customers of the Group accounted for approximately 100% of the Group's total turnover for the year and sales to the largest customer included therein amounted to approximately 49% of the Group's total turnover.

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

As far as the directors are aware, neither the directors, their associates nor any shareholder of the Company (which, to the best knowledge of the directors, owns more than 5% of the Company's share capital) had any beneficial interest in these major customers and suppliers.

Directors

The directors who held office during the year and up to the date of this report were:

Executive directors:

Cheung Siu Lam (*Chairman*)

Chan Yuk Ming (*Vice-Chairman*)

Yu Hei Wung, Raymond

Lo Wan

Independent non-executive directors:

Wang Jian Sheng

Chan Chun Keung

Choy Ming Yuk (resigned on 27 August 2004)

Tang Tse Yee, Kennedy (appointed on 9 September 2004)

In accordance with articles 96 and 105(A) of the Company's articles of association and Regulation A.4.1 of Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr Cheung Siu Lam, Mr Yu Hei Wung, Raymond and Mr Tang Tse Yee, Kennedy will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. The directors of the Company, including the independent non-executive directors 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 and the Listing Rules.

Report of the Directors (con't)

Directors' Service Contracts

All the independent non-executive directors, namely Wang Jian Sheng, Chan Chun Keung and Tang Tse Yee, Kennedy entered into service contracts with the Company respectively for an initial term of one year commencing on 9 September 2004, which continues thereafter until terminated by either party giving not less than two months' notice in writing or payment of remuneration in lieu of such notice or the unexpired part of such period to the other party.

Their remuneration is determined by the board of directors on the anniversary of the dates of their appointments.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Directors' Interests in Contracts

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

Report of the Directors (con't)

Directors' interests in share capital

As at 31 December 2004, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of Part XV 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 Transaction by Directors of Listed Companies ("Model Code"), were as follows:

Long positions in shares of the Company

Name of Director	Capacity	Number of ordinary shares interested	Percentage of issued share capital
Cheung Siu Lam	Beneficial owner of 438,004,240 shares, family interest of 882,000 shares (Note 1) and interest in controlled corporation of 86,400,000 shares (Note 2)	525,286,240	51.70%
Lo Wan	Beneficial owner of 882,000 shares and family interest of 524,404,240 shares (Note 3)	525,286,240	51.70%
Yu Hei Wung, Raymond	Beneficial owner	200,000	0.02%

- Notes:
1. By virtue of the SFO, Cheung Siu Lam is deemed to be interested in 882,000 shares held by Lo Wan.
 2. Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam, 27.5% by Lo Wan and 12.5% by Zhang Wei. By virtue of the SFO, Cheung Siu Lam is deemed to be interested in 86,400,000 shares held by Arbalice Holdings Limited.
 3. By virtue of the SFO, Lo Wan is deemed to be interested in 524,404,240 shares held by Cheung Siu Lam, including 438,004,240 shares held by Cheung Siu Lam as a beneficial owner and 86,400,000 shares held by Cheung Siu Lam through his interest in Arbalice Holdings Limited.

Save as disclosed above, none of the Directors, chief executives or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations were recorded in the register required to be kept under Section 352 of the SFO as at 31 December 2004.

Report of the Directors (con't)

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 shareholders

As at 31 December 2004, the following company and persons were interested in more than 5% of the issued share capital of the Company according to the register kept by the Company under Section 336 of the SFO:

Long positions in shares of the Company

Name	Capacity	Number of shares held	Percentage of issued share capital
Cheung Siu Lam	Beneficial owner of 438,004,240 shares, family interest of 882,000 shares and interest in controlled corporation of 86,400,000 shares	525,286,240	51.70%
Lo Wan	Beneficial owner of 882,000 shares and family interest of 524,404,240 shares	525,286,240	51.70%
Arbalice Holdings Limited (Note)	Beneficial owner	86,400,000	8.50%
Cheung Choi Chuen	Beneficial owner	89,158,000	8.77%

Note: The above interest in the name of Arbalice Holdings Limited was also disclosed as interests of Cheung Siu Lam in the sections of "Directors' interests in share capital" and "Substantial shareholders".

Save as disclosed above, no person had registered an interest or a short position in the shares and underlying shares of the Company that was required to be recorded under Section 336 of the SFO.

Report of the Directors (con't)

Share Option Scheme

The Company adopted a share option scheme (the "Old Scheme") on 19 March 1993 and expired on 19 March 2003.

During the year, 38,000,000 share options granted to the executive directors and 1,000,000 share options granted to the continuous contract employees outstanding under the Old Scheme lapsed on 17 May 2004 and 7 July 2004 respectively.

The Company adopted a new share option scheme on 7 June 2004 (the "New Scheme") whereby the directors of the Company are authorised, at their discretion, to invite any eligible employee (including executive directors), any non-executive director (including independent non-executive directors), any shareholder of any member of the Group, any supplier and customer of the Group and any technical, financial and legal professional adviser of the Group, to take up options to subscribe for shares of the Company. The exercise price of the options is the highest of (i) the nominal value of the shares, (ii) the closing price of the shares on the Stock Exchange on the date of grant and (iii) the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date of offer. The options may be exercised within ten years from the date of offer.

The maximum number of shares which may be issued upon the exercise of all outstanding options and yet to be exercised under the New Scheme shall not exceed 30% of the issued share capital of the Company from time to time. Subject always to the above overall limit, the directors may grant options under the New Scheme, generally and without further authority, in respect of such number of shares which may be issued upon exercise of all options to be granted under the New Scheme not exceeding 10% of the issued share capital of the Company as at 7 June 2004, being the adoption date. For the purpose of calculating the above, options lapsed in accordance with the New Scheme shall not be counted.

The total number of securities available for issue under the New Scheme as at 31 December 2004 was 67,725,155 shares which represented 10% of the issued share capital of the Company as at the date of adoption of the New Scheme. In respect of the maximum entitlement of each participant under the New Scheme, the number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue.

No share options were granted or exercised during the year under the New Scheme.

Report of the Directors (con't)

Purchase, Sale or Redemption of Listed Securities

The Company has not redeemed any of its listed securities during the year ended 31 December 2004. Neither the Company nor any of its subsidiaries have purchased or sold any of the Company's listed securities during the year ended 31 December 2004.

Advances to Entities

In according with Rule 13.13 and 13.20 of the Listing Rules, the details of advances provides by the Group to entities, which individually exceed 8% of the Company's market capitalization of approximately HK\$128.0 million (based on the average closing price of the Company's shares as stated in the Stock Exchange for the five business days immediately preceding 31 December 2004 and 1,015,877,336 shares of the Company in issue as at 31 December 2004 were as follows:

Trade Receivables due from customer

Name	Outstanding receivables HK\$
China National Agricultural Means of Production Group Corporation	34,551,504

The above trade receivables were resulted from sales to the above customer by the Group in its ordinary course of trading business and on normal commercial terms. The customer is not connected with any of the directors, chief executives or substantial shareholders of the Company and its subsidiaries or any of their respective associates (as defined in the Listing Rules).

Retirement Schemes

The Group also operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance, and participates in various defined contribution retirement plans organised by the relevant authorities for its employees in the PRC.

Corporate Governance

In the opinion of the directors, the Group has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules in force prior to 1 January 2005 on the Stock Exchange throughout the financial year under review.

Report of the Directors (con't)

Audit Committee

The committee consists of three independent non-executive directors. The chairman of the committee, Mr Tang Tse Yee, Kennedy, has over 25 years of professional experience of which 15 years are with an international accounting firm. During the year, two meetings were held to discuss the interim results, annual audit and the Group's operation. The committee is responsible for reviewing the Group's interim and annual financial statements, considering the appointment, dismissal and replacement of the Group's external auditors and making recommendations on internal controls and other accounting policies. The committee has reviewed the Group's results for the year in a meeting held on 14 April 2005.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted its own Code of Conduct, which laid down terms no less exacting than those set out in the Appendix 10 of the Listing Rules, regarding directors' transactions in securities of the Company. During the period under review, all directors are in compliance with the required standard of dealing set out therein.

Auditors

CCIF CPA Limited (formerly named as "Charles Chan, Ip & Fung CPA Ltd") retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of CCIF CPA Limited as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On Behalf of the Board

Cheung Siu Lam

Chairman

Hong Kong, 18 April 2005