

## CHAIRMAN'S STATEMENT

The Group's results recorded a growth during year 2004. The audited consolidated profit attributable to shareholders was HK\$132,248,000, representing a growth of 28.7% as compared with HK\$102,762,000 in 2003. The basic earnings per share was HK1.47 cents, representing a growth of 28.9% as compared with HK1.14 cents in 2003.

**Business Review**

In 2004, the operating environment remained undesirable, due to the impact of bird flu, which was more serious than in 2003, in live and fresh foodstuffs business, the shortage of raw materials of tinplates and the nearly historical high of the prices of various kinds of raw materials. During the year under review, by system adjustment and regulatory management, the Group enhanced its overall production, quality and facilities management; by strengthening the construction of the financial system and the management of fiscal budget appraisal, opening up new sources of revenue and reducing costs, as well as exploring various possibilities to increase efficiency, the Group successfully controlled the operating costs; by adjusting the product portfolios and increasing the production of tin-free steel advantageous products, the Group maximized the effectiveness of the limited resources; by adjusting the marketing strategies and dividing the market more specifically, the Group improved the marketing networks and marketing mechanism; by implementing an assessment and accountability system for operating objectives, as well as implementing the system to calculate the staff salary based on the applicable rate on different profit level of a unit, the Group increased the motivation of staff; by fully adopting the invitation to tender/tender exercise under the Sunshine Project (陽光工程), the Group achieved satisfactory results in reducing the operating costs. Although the live and fresh foodstuffs distribution business was affected by the bird flu at the beginning of the year, the Group improved the quality of the services and actively sought to increase the import of the live pigs from Guangdong Province. This not only compensated the loss caused by the fall of income from poultry agency business, but also brought about an increase of 25.0% in operating profit, as compared with 2003. As the tinplating business has not suffered from the negative impact of the macro-economic control measures adopted by the State, the production has been normal; the product quality was further improved and the products continued their brisk sales momentum. The turnover increased slightly as compared with 2003. Nevertheless, under the constraint caused by the shortages of black-plates and the substantial rise of the price of the principal raw materials, the gross profit margin fell by 4% as compared with 2003 and the operating profit was lower than that of 2003. Yellow Dragon Food Industry Co., Ltd., an associate of the Group, achieved remarkable results in production and sales volume. Its profit before tax increased by 49.3% as compared with 2003 while the profit attributable to the Group increased by HK\$7,876,000.

During the year under review, the Group's profit before tax was HK\$169,579,000, increased by HK\$49,259,000 when compared with 2003. The consolidated profit attributable to shareholders was HK\$132,248,000, representing an increase of 28.7% as compared with 2003. The growth was mainly resulted from a decrease of HK\$30,862,000 of non-operating expenses and an increase of HK\$9,785,000 of non-operating income in 2003 to HK\$76,306,000. The non-operating income represented the write-back of liabilities which have been outstanding for a long time with no demand for settlement.

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In addition to the growth in results, the Group has made further concrete progress in becoming professionalized. In 2004, the Group disposed of several non-core businesses, including Guangnan (Zhan Jiang) Jiafeng Feed Co. Ltd. ("Guangnan Jiafeng") and 高要廣南畜牧發展有限公司 (Gaoyao Guangnan Stock Development Co., Ltd.) ("Gaoyao"), which marked the complete withdrawal from non-core feed production and livestock farming businesses of the Group. The Group integrated the foodstuffs trading business into the live and fresh foodstuffs distribution business, which facilitated the management and resources realignment. The synergy from the integration of the foodstuffs distribution and trading businesses provided a stable source of profit for the Group. For the tinsplating business, the construction of a tin-free steel production line with annual output of 80,000 tonnes was commenced and expected to commence production in June 2005. The production capability of tinsplate and tin-free steel will be increased from currently 120,000 tonnes to 200,000 tonnes (please refer to the circular issued by the Company on 2 July 2004 for details).

### Prospect

Being one of the major raw materials for metal packaging, the demand for tinsplate has continued to rise and its prospects look promising. As the global demand for steel has driven up the price of the raw materials for tinsplate to a high place, the gross profit margin of the tinsplate business has come under considerable pressure. We believe, by widening the sourcing channels, the expanding production capability will gain a relatively reliable support in raw materials supply. In the current year, the production and sales volume of tinsplate is expected to reach a new height. The black-plate manufacturing plant with an annual output of 150,000 tonnes is undergoing construction and is expected to commence operation by the end of 2006 (please refer to the circular issued by the Company on 23 February 2005 for details). By then, the shortage of black-plates that has been hindering the development of the tinsplate business historically will basically be resolved. The tinsplate business will be able to bring about an even stable profit to the Group.

**Liang Jiang**

*Chairman*

Hong Kong, 15 April 2005