

### RESULTS OF OPERATIONS

In 2004, the Group reported turnover of HK\$25 million and net loss of HK\$12.7 million or loss per share of HK0.75 cents as compared to net profit of HK\$27.4 million or earnings per share of HK1.61 cents in 2003. Principal factors affecting these changes, which were discussed further in the followings, were decreased sales and impairment loss from certain production assets and intangible assets as a result of continued deterioration in the Group's income, which was particularly marked in the third to fourth quarters 2004.

Turnover was HK\$25 million in 2004, a decrease of HK\$73.5 million or 75% as compared to HK\$98.5 million in 2003, primarily due to the decrease in sales resulted from weak demand on our products and increased competition. The gross profit margin in 2004 decreased to 44.4% from 56.4% in 2003.

In 2004, the Group received rental income of HK\$1.0 million in respect of its investment properties at Ma Wei District, Fuzhou, Fujian Province, the PRC (2003: nil). The rental income accounted for 3.8% of the Group's total revenue. Portion of the premises in the Group's production facilities not utilised was leased to a third party commencing January 2004 and was classified into investment properties.

Total expenses increased by HK\$0.7 million to HK\$24.9 million in 2004 as compared to HK\$24.2 million in 2003. The differences in total expenses were as follows:

- Selling expenses decreased by HK\$5.4 million or 53% to HK\$4.7 million in 2004 from HK\$10.1 million in 2003, which was mainly attributable to the lower advertisement cost in 2004;
- No listing expenses were incurred in 2004 (2003: HK\$4.5 million);

### 營運業績

於二零零四年，本集團錄得營業額25,000,000港元及虧損淨額12,700,000港元或每股虧損0.75港仙，相對二零零三年則錄得盈利淨額27,400,000港元或每股盈利1.61港仙。導致此等變動之主要因素為銷售下降，加上本集團收入持續減少，當中以二零零四年第三至第四季之情況尤其明顯，以致若干生產資產及無形資產出現減損，有關進一步論述載於下文。

二零零四年之營業額為25,000,000港元，較二零零三年98,500,000港元減少73,500,000港元或75%，銷售減少主要由於本集團產品之需求疲弱及競爭日趨劇烈導致銷售額減少。二零零四年之邊際利潤由二零零三年56.4%減至44.4%。

本集團於二零零四年就其位於中國福建省福州市馬尾區之投資物業收取租金收入1,000,000港元（二零零三年：無）。有關租金收入佔本集團總收益3.8%。本集團並無使用其生產設施部分地方，而於二零零四年一月將該等地方出租予一名第三方，故被分類為投資物業。

開支總額由二零零三年24,200,000港元增加700,000港元至二零零四年24,900,000港元。開支總額之差異如下：

- 銷售費用由二零零三年10,100,000港元減少5,400,000港元或53%至二零零四年4,700,000港元，主要歸因於二零零四年廣告成本減少；
- 二零零四年並無產生任何上市開支（二零零三年：4,500,000港元）；

- General and administrative expenses were increased by HK\$0.7 million to HK\$10.3 million in 2004 from HK\$9.6 million in 2003, which was attributable mainly to increases of HK\$1.6 million from the higher depreciation charges and the indirect taxes for properties in the PRC, but offset by saving resulting from the reduction of staff costs of HK\$0.4 million;
  - Research and development expenses were HK\$0.2 million in 2004 as compared to nil in 2003. However, expenses may increase in future depending the number of studies for potential products;
  - Impairment losses were HK\$9.6 million in 2004 as compared to nil in 2003. The losses consisted of HK\$8 million and HK\$1.6 million related to property, plant and equipment and intangible assets respectively. The impairment charges of assets were necessary to reduce the carrying value of these assets to the management's estimate of their net realisable value, based on valuation made by an independent professional valuer, in light of the current market conditions.
- 一般及行政費用由二零零三年9,600,000港元增加700,000港元至二零零四年10,300,000港元，主要由於折舊支出增加以及就中國物業繳付間接稅導致增加1,600,000港元，惟此等開支已藉減省員工成本400,000港元抵銷；
  - 二零零四年之研究及開發費用為200,000港元，而二零零三年則為零港元。然而，有關費用日後可能視具潛力產品之研究數目而有所增加；
  - 二零零四年之減損為9,600,000港元，相對二零零三年則為零港元。減損包括與物業、廠房及設備以及無形資產有關之減損撥備分別8,000,000港元及1,600,000港元。鑑於現行市況，必須就有關資產作出減值以將此等資產之賬面值下調至管理層按獨立專業估值師之估值所評估資產可變現淨值。

### BUSINESS REVIEW

The Group is a provider of quality chemical pesticides based on propulsive agent technology. The Group's products are sold solely in the PRC.

Intense market competition resulted in a disappointing year in our Group's business. The Group has been battered by continued severe market conditions and the resultant excess supply of chemical pesticides. In addition, highly volatile weather conditions have led to customers to reduce inventories to low levels. The result has been a first year of losses for the Group.

During 2004, the Group maintained good relationships with its customers even though the business faced difficult conditions due to increased competition. The Group has continued to promote its products through its sales service centers and performed demonstrations and training programs to farmers in rural areas, but significantly reduced advertisement programs. The Directors believe that these activities would benefit the Group in longer term.

### 業務回顧

本集團為提供採用分子推進劑技術的優質化學農藥供應商。本集團產品僅於中國銷售。

市場競爭熾熱，導致本集團業務於年內表現未如理想。本集團受到艱難市況持續以及化學農藥因而出現供應過剩情況所打擊。此外，鑑於天氣反覆無常，客戶紛紛減低存貨水平，種種因素導致本集團首年錄得虧損。

於二零零四年，即使業務發展因競爭日趨劇烈而舉步為艱，本集團依然與客戶維持良好關係。本集團繼續透過其銷售服務中心推廣其產品，並向鄉郊農戶示範使用產品及提供培訓計劃，另一方面則大幅減少廣告宣傳。董事深信，此等活動長遠而言對本集團有利。

In the new product development areas, new pesticide and insecticide were still in late development stage. The research and development of new products is lengthy and costly and the success of new products is highly unpredictable. Nevertheless, the Group will increase its focus on research and development of new products in order to expand its product mix and profit margin, as well as to bring better returns to shareholders.

In March 2005, the Group entered into an agreement with an independent third party to acquire 20% interests in a pharmaceutical business in China at a consideration of HK\$45 million subject to adjustment. The acquisition was terminated subsequently due to the condition precedents under the agreement are not fully satisfied. The termination of the acquisition did not have any material impact on financial positions and business operation of the Group. The HK\$45 million which was intended to fund the acquisition under the agreement would be used for possible future investment projects.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

#### Liquidity and capital resources

Net cash used in operating activities was HK\$6.3 million in 2004 as compared to net cash provided from operating activities of HK\$37.0 million in 2003. This was attributable to decreases in net profit and other payables. At 31 December 2004, the Group's working capital was HK\$148.0 million (2003: HK\$145.6 million) and its working capital ratio was 35.7 to 1 (2003: 13.2). The higher working capital in 2004 was due to decreases in other payables.

At 31 December 2004, the Group had cash and bank balances of HK\$150.9 million (2003: HK\$156.5 million). The directors believe that the Group has sufficient working capital to meet its present requirements.

#### Capital structure of the company

The Group is financed by the shares issued and retained earnings. There was no change in capital structure of the Company during the year.

於新產品開發方面，新農藥及殺蟲劑仍處於最後開發階段。儘管新產品之研發耗費大量時間及成本，且難以預測最終成果，然而，本集團將繼續加強新產品之研發工作，務求擴展其產品組合與利潤，並為股東帶來更佳回報。

於二零零五年三月，本集團與一名獨立第三方訂立協議，按代價45,000,000港元（可予調整）收購中國一項製藥業務之20%權益。由於協議項下先決條件未能全部達成，故此項收購其後已告終止。終止收購並無對本集團之財務狀況及業務營運造成任何重大影響。原定撥付協議項下收購所需之45,000,000港元將撥作日後可能進行之投資項目所需。

### 流動資金、財務資源及資本架構

#### 流動資金及財務資源

於二零零四年，經營活動動用之現金淨額為6,300,000港元，而二零零三年經營活動產生之現金淨額則為37,000,000港元。此乃由於盈利淨額及其他應付款項減少所致。於二零零四年十二月三十一日，本集團之營運資金為148,000,000港元（二零零三年：145,600,000港元），而營運資金比率為35.7比1（二零零三年：13.2）。二零零四年之營運資金增加，乃由於其他應付款項減少所致。

於二零零四年十二月三十一日，本集團現金及銀行結餘為150,900,000港元（二零零三年：156,500,000港元）。董事會相信，本集團具備充裕營運資金應付現時所需。

#### 公司資本架構

本集團以發行股份及保留盈利撥付其經營所需。年內，本公司之資本架構並無任何變動。

### Material acquisitions and disposals of investments

The Group had no material acquisitions or disposals of subsidiaries or affiliated companies during the year.

### Significant capital expenditures

There were no significant capital expenditures during the year.

### Details of charges on the Group's assets

The Group had no charge on its assets at 31 December 2004 (2003: Nil).

### Contingent liabilities

The Group had no material contingent liabilities at 31 December 2004 (2003: Nil).

## INDEBTEDNESS

### Borrowings and gearing ratio

As at 31 December 2004, the Group did not have any bank facilities in place and there were no bank borrowings outstanding. The Group's gearing ratio, measured by total borrowings to the shareholders' funds, was zero (2003: Zero).

### Foreign exchange exposure

The directors believe that the exchange rate risk of the Group is minimal because the Group's business transactions are principally in Renminbi in the PRC, which was relatively stable during the year.

### 重大投資收購及出售

年內，並無進行重大收購或出售附屬公司或聯屬公司。

### 重大資本開支

年內並無任何重大資本開支。

### 本集團資產抵押詳情

本集團於二零零四年十二月三十一日並無抵押任何資產（二零零三年：無）。

### 或然負債

於二零零四年十二月三十一日，本集團並無任何重大或然負債（二零零三年：無）。

## 債務

### 借貸及資本負債比率

於二零零四年十二月三十一日，本集團並無任何銀行借貸，亦無任何未償還銀行借貸。本集團按借貸總額相對股東資金計算的資本負債比率為零（二零零三年：零）。

### 外匯風險

董事相信，由於本集團之業務交易主要於中國以人民幣為單位，而人民幣匯率於年內相當穩定，故本集團面對的匯率風險甚微。

### EMPLOYEE INFORMATION

As at 31 December 2004, the Group had 54 full time employees of whom 5 were based in Hong Kong and the remaining in the PRC. Staff costs, including retirement benefit, were HK\$4.8 million in 2004 (2003: HK\$5.1 million). The decrease reflected the Group's effort to reduce costs. The Group's employees were remunerated according to the nature of their duty and market trend, with discretionary bonus and benefit of retirement scheme, share options and necessary training. The Company would grant share options to employees based on performance evaluation in order to provide incentive and reward to them.

### AUDIT COMMITTEE

The audit committee was formed in June 2001. The audit committee meets regularly with the management to review the accounting principles and practices adopted by the Group and discuss internal control and financial reporting matters including review of the interim unaudited consolidated financial statements and the annual audited financial statements for the year ended 31 December 2004. The audit committee comprises three independent non-executive directors, namely Mr. Sun Juyi, Mr. Jiang Ming Le and Mr. Chan Sai Kuai.

### PROSPECTS

The Board does not expect signs of sustainable improvement in the market conditions in the near term, and assuming that difficult business conditions are to maintain as previous year, the Board anticipates that sales will be adversely affected. The Group will adopt with firm measures to control costs.

We have maintained our commitment and have been exploring new business opportunities that would bring better return to shareholders in the long term. In March 2005, the Group entered into an agreement in relation to the intended acquisition of equity interests in a pharmaceutical business in China. Although the acquisition was terminated subsequently, the Company will continue to look for other business opportunities that will complement and enhance the value of business of the Group.

### 僱員資料

於二零零四年十二月三十一日，本集團共有54名全職僱員，當中5名駐於香港，其餘則為中國員工。二零零四年員工成本（包括退休福利）為4,800,000港元（二零零三年：5,100,000港元）。員工成本減少反映本集團致力節省成本。本集團僱員之薪酬乃按其工作性質及市場趨勢釐定，並可享有酌情花紅及退休計劃福利、購股權計劃及有關培訓。本公司會按表現評估結果向僱員授出購股權以提供獎勵及獎賞。

### 審核委員會

審核委員會於二零零一年六月成立。審核委員會定期與管理層舉行會議，審閱本集團所採納會計原則及慣例，並討論內部監控及財務申報事宜，包括審閱中期未經審核綜合財務報表及截至二零零四年十二月三十一日止年度之年度經審核財務報表。審核委員會由三名獨立非執行董事孫聚義先生、蔣鳴樂先生及陳世貴先生組成。

### 展望

董事會預期市況不會於短期內出現實在的改善，假設去年艱難的營商狀況持續，董事會預期銷售將受到負面影響。因此，本集團將採取嚴格措施，以控制成本。

我們一直恪守承諾，並致力探索長遠而言可為股東帶來更佳回報之新商機。於二零零五年三月，本集團就擬收購中國一項製藥業務之股本權益訂立協議。儘管該項收購其後終止，本公司將繼續物色其他可增強及提升本集團業務價值之商機。