



Statement from the Managing Director

I present to the shareholders my report on the operation of the Group for the year ended 31.12.2000.

BUSINESS REVIEW

The trading turnover of the Group for this year continued to grow when comparing with the annualized turnover in 1999. However, the Group's trading profit after finance costs for the year had fallen to HK\$5 million (Fifteen months ended 31.12.1999: HK\$19.3 million) due to a strong set back of its performance in the second half of the year. In anticipation of China's entry into the World Trade Organization ("WTO"), a number of the Chinese domestic fishmeal traders tried to eliminate the role of the intermediary by buying direct from the origin causing severe competition to the trade. The competition was so severe that the Group had to lower the profit margin occasionally to maintain its market presence.

The ship chartering operation continued to suffer a loss as the rates for tweendeckers did not firm up as much as expected. Besides, the animal feed trading volume was not large enough to utilise the vessels' capacity efficiently and at the same time, the charter hire from these vessels could not cover their operating costs. Management decided that it would no longer be commercially viable to keep the vessels. In view of substantial losses incurred in ship chartering business, the Group discontinued the ship chartering operation. The vessels were sold for scrap in January 2001 with a loss of about HK\$10 million. Both the loss on disposal and the costs of approximately HK\$7 million associated with the discontinuation of the ship chartering operation were fully provided for in the year.

During the year, the rental income of the Group's investment properties in Hong Kong and Shanghai remained stable whilst the capital value improved slightly. The rental income of Emerald Court, our joint venture luxurious residential development in Xuhui, Shanghai also improved as a result of improved occupancy.

To enforce the Arbitration Award (the "Award") obtained by the Group against the defaulting parties in a joint venture residential development project in Shanghai (the "Project"), certain floors of the Project with a gross floor area of about 16,000 square metres (the "auctioned Property") was ordered to be sold by public auction. The Shanghai Court after three unsuccessful auction sales lowered the auction price for the fourth auction held in October 2000. To speed up the enforcement, the Group participated in the auction and submitted a bid for the auctioned Property. The Group succeeded in the bid and was allowed, after paying certain disbursements for the auction, to set off the balance of the bid price for the auctioned Property against the outstanding amount under the Award. The Group will sell the auctioned Property on a strata title basis once the title has been formally transferred to the Group. In relation to the remaining balance outstanding under the Award, the lawyers in mainland China advised the Group that further application could be made to the Court to freeze further assets of the defaulting parties. The directors are, therefore, confident that the balance will also be recovered in full.

At the end of the year, it was evidenced to the Group that the development project of the Hainan Yangpu Land Development Company Limited ("HYLD") in which the Group held 5% equity interest would not be financially viable without further capital injection. However, the shareholders who were not bound by any agreement to make additional capital contribution, including the Group, refused to make further injection. Full provision of HK\$50 million for diminution in value is, therefore, made against the investment in the year for prudence. However, the directors will keep track of any further development on the project of HYLD.



Statement from the Managing Director *(Cont'd)*

PROSPECT

The directors are confident that the Group's performance will improve in 2001 with the discontinuation of the loss making ship chartering operation. The feed and grain trading business would remain stable in 2001. The recent cut in interest rates will also reduce the interest burden of the Group.

With the prospect of further interest rate reduction and the gradual recovery of the Hong Kong economy, it is expected that there will be a rebound in consumer spending helping retail sales and indirectly benefiting the rent and capital value of retail shops. Though the market sentiments in Hong Kong are improving, the directors will continue to be cautious about its property investment in Hong Kong.

China's accession to the WTO is expected to boost foreign investors' confidence in the economy of mainland China and benefits the property market indirectly. The Group will take advantage of the situation to sell the auctioned Property in 2001. The directors believe that the successful disposal of the auctioned Property will bring in reasonable profit to the Group.

John Ho Ming Tak

Managing Director

Hong Kong, 14th March, 2001