REVIEWS OF OPERATIONS

Summary of Year 2000

The Group's trading division traded a combined total of 2.5 million metric tons of chemical fertilisers and agricultural products in year 2000 with reasonable profit. During the year, the retail division has also added 3 hyper-supermarket stores and 7 convenience stores to its operation as planned. The investment in properties and oilseed crushing facilities have been written down further to reflect continued adverse market conditions and operation results.

Operation Highlights and Impact

Trading

The Group's trading division has traded approximately 2 million metric tons of chemical fertilisers and 0.5 million metric tons of agricultural products. Total trading volume compares to 1999 figure has decreased by 25%. Smaller volume is mostly attributed to a lower chemical fertiliser demand, which was caused by depressing agricultural product prices. The Chinese domestic agricultural products' prices have been falling because of stock built-up and production increases in the past two years. Unfavorable grain prices have a negative impact on Chinese farmers' spending power, which put further downward pressure for chemical fertiliser demand. Despite of the lower demand, chemical fertiliser import remains active. In contrast to staple crop, the increasing usage in the cash crop such as fruits, flowers, tobacco, and vegetables plus the anticipated recovery of the domestic agricultural product prices are slowly bringing the chemical fertiliser demand back to normal.

Chairman's Statement

Retail Business

During year 2000, 3 more stores were added to the hyper-supermarket operation in Shanghai. As of March 2001, all of these new stores were able to meet their respective projections, which yield an average daily sales of approximately RMB500,000. Three to five more stores will be opened for business in 2001 and the combined sales of hyper-supermarket stores for 2001 will exceed RMB1 billion.

The investment in convenience store also shows promising signs. Firstly, the project managers have met their target of opening 7 new stores in Guangzhou. In addition, the first new Beijing store was opened in January 2001. Almost all of these new stores met their projected daily sales targets ranging from RMB9,000 to RMB15,000. Based on the intention among the joint venture partners, 10 to 15 more new stores will be opened in 2001.

Encouraged by the positive results of the retail operation, the Board is preparing to make further capital injection into retail operation in the coming years.

Manufacturing Joint Ventures

The depressed domestic oilseeds and its by-products prices continue to put pressure on the oilseed processing division. A large part of the Group's 2000 profit was eroded by the oilseed processing operations. Recognising that the oilseed crushing operation is an integral part of the Group's agricultural commodities trading activities, the management is aggressively searching solutions to address the problem facing these operations. Remedial action currently under the Board's consideration includes disposal of some non-performing facilities, expansion of existing plant capacity, and investment in cost effective facilities.

Taicang chemical fertiliser mixing plant has continued to be profitable. It has made a profit contribution closed to HK$1 million to the Group - an almost 25% increase from last year.

E-Business

The Group's e-business investment on a Business to Business sugar trading platform has not yet been completed. The delay was caused by current adverse e-business environment which does not warrant for further capital injection at this stage.

Objective and Business Review

Year 2000 operating results were a mixture of positives and negatives. On one hand, after a year of corporate consolidation, financial discipline and strengthened management to the Group's core business activities, the trading division has once again begun to generate encouraging results. However, further devaluation on the Group's investment properties and adverse performance of the oilseed crushing facilities have wiped out most of the gains made by other core business units. As a result, the management's 2001 focus will be on re-structuring the Group's corporate structure. At the same time, the Board will also study the possibility to dispose some of the Group's non-performing assets. It is the Board's view that these measurements will bring a better value to the shareholders in 2001.

EMPLOYEES

Total number of staff of the Group in Hong Kong as at 31 December 2000 was approximately 30, excluding the Directors of the Group.

On behalf of the Board
Cheung Siu Lam
Chairman

Hong Kong, 2 April 2001