CHAIRMAN'S STATEMENT

BUSINESS REVIEW AND PROSPECTS

2001 is the most difficult year for the Group since its listing. During the year, operating units in the PRC were affected by the uncertainties brought by the PRC's WTO accession and a general downturn of the commodities market. As a result, the trade volume of the Company dropped substantially, significantly hampering the major income source of the Group. As for industrial investment, a major provision was made in the first half of 2001 to reflect the surging loss of oilseed crushing operation in the PRC. Contrary to the losses, the retail operations held by the Group continued to achieve satisfactory performance.

Trading: Due to the downturn of the commodity market, sales of downstream products of agriculture produced in the Mainland was sluggish. Consequently, domestic demand for primary products and chemical fertilizers was directly affected. In the meantime, PRC was overshadowed by problems revolving around its WTO accession throughout 2001, including uncertainties of accession the first six months and concerns about the extent and timing of tariff reduction quota issurance in the second half of the year. Concerned about such problems, market players were reluctant to expand their operation aggressively. In view of this, the trading department of the Group adopted a reserved attitude towards imports and exports, resulting in a substantially decrease in trade volume. Looking forward to 2002, the Group hopes that its trading activities will be back on track with commodity-related policies being set down following the PRC's accession to the WTO.

Industry: The Group's oilseed processing plant continued to record losses from difficult operations. This was mainly attributable to the ever changing PRC policies on the control of oilseed crushing industry and import of soya beans. Besides, there were disagreements between the PRC and the US regarding the import of soya beans. Such man-made uncertainties forced the Group to shut down its two oilseed processing plants due to surging raw material costs and lack of support from local banks. The Directors decided to make a full provision against the above investment after taking into account all the involved factors.

Retail: The Group's retail business continued to develop in 2001. The hyper-supermarket investment in Eastern China region has reached economies of scale, with over 50% of the individual shops recording a profit. The Group is currently in discussion with its investment partner regarding the future direction and funding methods for further expansion.

As for convenient stores, store turnover and business expansion of stores in Guangzhou were restricted by unexpectedly fierce competition within the industry. After the lesson learnt in Guangzhou, adjustments were made to the Group's development strategy for its convenient store operation in Beijing, including enhanced communication with business partners in terms of cost control, selection of location and continued supply of expansion capital. In particular, the Group adopted a more cautious attitude when opening new stores.

Conclusion: With its streamlined corporate structure and compressed operating costs, the Group expects to strengthen its competitiveness in the market. It is believed that if the quotas for various commodities arising from the PRC's WTO accession are materialized, the trading operation of the Group would be positively affected.

On the other hand, it is the intention of the Group to restructure its investments in retail businesses. The Group will further concentrate its funds to invest in projects with bright prospects. The Group will also consider disposing of or divesting projects of a less pessimistic outlook, so as to focus the efforts of the management on value-adding projects for shareholders.

FINANCIAL POSITION

The Group is currently maintaining a sound financial position with a cash reserve of over HK$100 million. With virtually no liabilities, the Group has a current ratio of 4.85. Generally speaking, despite the aggressive expansion strategy of its trading business, the management of the Group adopted a very cautious approach in financial management. As the cash balance of the Group is primarily dominated in US dollars, the Group does not have any major exposure arising from exchange fluctuation. Moreover, the Group has no contingent liabilities as at 31 December 2001.

EMPLOYEE INFORMATION

As at 31 December 2001, the Group had approximately 22 full-time staff, representing a decrease of about one third compared to last year. To encourage contribution to the Group, a performance bonus scheme was adopted for employees, under which bonus was paid based on the Group's profits and individual performance of employees. Staff in different regions are entitled to social and medical insurance, as well as eligible for the provident fund scheme.

On behalf of the Board
Cheung Siu Lam
Chairman

Hong Kong, 22 April 2002