

CHAIRMAN'S STATEMENT

It was a year of great significance to the Group in 2001 as it exemplified the notion of "Rebirth."

Since the beginning of 2001, continuous economic depression hitting the principal consumer market for products of the Group and the impact of natural disasters created by multiple typhoons along coastal areas of Southeast China led to a decline in the Group's business. The pressure created by the Group's financial position was deeply felt by the Group's management. Moreover, the global economic recession following the "911" incident made the business which relies on external sales markets more difficult. Confronted with such difficulties and the continuous plunge of the Group's share price, we succeeded in introducing the Dragoncom Group as our major shareholder in early December 2001 and reorganised the Company's Board of Directors thereafter. Taking every condition of the moment into consideration, the new Board of Directors proposed to adopt the strategy of "Knowledge and Capital Agriculture" that aimed to gradually divert the Group's business from mainly production and sale of eel feed to strategic investment in high-tech, large-scale and industrialized agriculture with knowledge and capital as the keystone. These changes were implemented for the sole purpose of creating more space for the Group's development, generating higher earnings and improving the overall well-being of the Group. This concept was greatly welcomed by our shareholders and the proposed resolution to change the name of the Company has been passed unanimously by all shareholders at the subsequent Special General Meeting in January 2002. Through exercising their voting rights, our shareholders helped turn a new page for the history of the Company.

In view of heavy responsibilities and tremendous difficulties that lie ahead, we will do our best to survive and develop in an era of opportunity and challenge. Agriculture in China, including animal farming and crop growing, has entered into a new stage of development following China's accession to the WTO. Bringing together with capital and knowledge, the Group is undergoing a serious resource re-organization and industrial enhancement. The strategy of "Knowledge and Capital Agriculture" aims to break through the traditional mode of operation adopted by the agricultural business that mainly relies on land and labor. We endeavor to make use of latest discoveries in biotechnology and information technology to transform agriculture, enhance the centralisation of the agricultural industry and create a technology-oriented value chain that will ultimately increase the competitive advantage of the Group in the international arena. At the same time, capital will remain a link in the enhancement of the core competitive ability and establishment of an operation mechanism for the sustainable development of the Group as progressive co-operative operation strategies are adopted to obtain substantial return for shareholders.

The Group's future development will focus on locating new points of profit growth for the agricultural industry in an era of economy of knowledge and discovering new channels of development for China - one of the world's major agricultural country in an era of globalization.

We will co-operate with state-level science and technology research organizations and leading domestic enterprises to explore advance technology and market status, gradually expand our operations internationally, constantly reinforce the Group's assets, strengthen the corporate governance, introduce international institutional investors with good financial strength and lay down a solid foundation for the Group's long-term sustainable development. Also, we will obtain real progress from the investment in validated projects such as high-quality seedlings that are resistant to Northern China's dry weather and dust storms and animal bio-medicine that is resistant to Chicken Influenza and Foot and Mouth Disease (FMD).

The Group's assets and business are principally based in the Mainland China. The majority of members in the new management team are elites of the agricultural industry with domestic and overseas background and international experience. In view of our advantage in professional knowledge, location, culture and the sense of value, we will definitely do better and achieve more in the coming year.

Looking into the future, full of hope and confidence, we are imbued with enthusiasm and vigor.

I would like you to take this opportunity to proclaim your support for the Group and appreciate our cause.