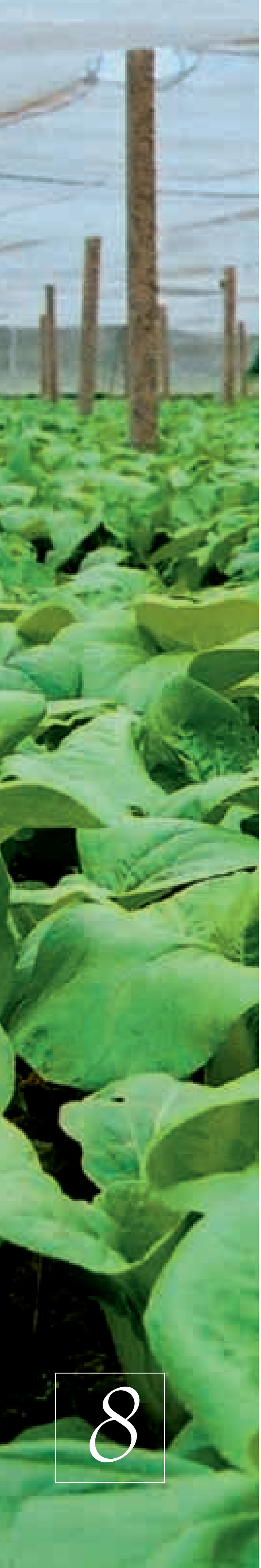


Management Discussion and Analysis

The Group's turnover and net profit attributable to shareholders for the year ended 30th June 2002 was approximately RMB1,152,133,000 and RMB621,924,000 respectively, representing an increase of 58.8% and 41.1% respectively, as compared to those of last year.

Turnover for the year increased by 58.8% from last year's figure of RMB725,546,000. This increase principally resulted from the significant increase in land areas, and in particular, the increase in the weighted-average areas, i.e. the productive areas, has been the key driver. The weighted-average area of 74,556 mu for the year represents an increase of 48.1% from 50,328 mu for the last year. The Group's total farmland areas (excluding the citrus farm owned by an associated company) amounted to 120,725 mu as at 30th June 2002, representing an increase of 93.4% from 62,429 mu as at the end of last year.

Sales of agricultural produce for the year accounted for 97.9% of total turnover, while sales of livestock accounted for 1.9% and sales of ancillary food products accounted for 0.2%. There has not been any material change to the sales mix by product.

Domestic sales represented 64.6% of the total turnover for the year while export sales (by means of direct sales to overseas customers and sales locally to PRC trading companies) took up the remaining 35.4%. There has not been any material change to the sales mix by market.

Overall gross profit margin dropped slightly from 75.2% last year to 73.9% this year, representing a decrease of 1.3 percentage points. The similar gross profit margins over the past two years is primarily the result of the Group's efforts to maximise its profitability, strengthen its internal management and maintain lower cost structure.

The percentage of selling and distribution expenses, as well as general and administrative expenses for the year amounted to 9.0% and 4.8% of turnover respectively, which are close to percentage levels of 8.5% and 3.4% respectively in the immediately preceding year. The higher percentage for this year's selling and distribution expenses is attributable to the exploration of new export markets in North America and Europe during the year.

The pre-tax profit margin for the year was 58.8%, which is similar to the pre-tax profit margin of 61.0% in the previous year. The net profit margin decreased to 54.0% as compared to last year's figure of 60.8%. The decline in net profit margin is the result of the lapse in the second half of the current financial year, of the 2-year tax holidays enjoyed by certain major subsidiaries in the PRC. Those subsidiaries now enjoy a 50% tax reduction for the following 3 consecutive years.

Management Discussion and Analysis

ASSOCIATED COMPANIES

In July 2001, the Group acquired a 49% equity interest in a citrus farm in Guangxi Province for a cash consideration in the sum of RMB107 million (being approximately HK$20 million and RMB87 million). The citrus farm made a pre-tax profit contribution of RMB19,080,000 to the Group in the current year. After deducting the relevant share of profits tax of RMB1,476,000, the net return to the Group was RMB17,604,000.

USE OF SHARE ISSUE PROCEEDS

For the year ended 30th June 2002, the Group had applied part of the listing and placement proceeds respectively as follows:

I. Application of funds from listing in December 2000:

   a. Approximately RMB66.9 million for the establishment of new production bases;

   b. Approximately RMB94.0 million for the establishment of basic facilities for new production bases, such as greenhouse facilities, irrigation systems and the setting up of food processing factories;

   c. Approximately RMB9.2 million for the funding of marketing and promotional activities in connection with the China domestic and export sales;

   d. Approximately RMB1.3 million for the funding of the expansion of the Boer goats breeding business; and

   e. Approximately RMB42.4 million for setting up additional retail sales outlets in the PRC.

II. Application of funds from top-up placement in November 2001:

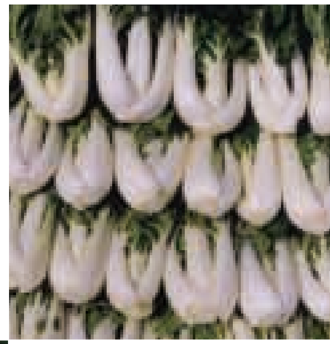
   a. Approximately RMB7.4 million for the investment in Newasia Global Limited;

   b. Approximately RMB100.1 million for the construction of irrigation systems and infrastructure facilities in Nanjing and Beijing production bases; and

   c. Approximately RMB7.0 million for the setting up of retail green stand to sell organic green vegetables and fruits in Shanghai to expand sales network.

The net proceeds which have not yet been utilized will be used for the intended applications as set out in the Company's prospectus dated 5th December 2000 and the Company's announcement issued on 7th November 2001 relating to the placing of existing shares and subscription for new shares.

Management Discussion and Analysis



CHARGE ON ASSETS

As at 30th June 2002, the Company's interests in certain subsidiaries and a loan of HK$250,000,000 due from a subsidiary are pledged as security for the Company's banking facilities.

STAFF AND REMUNERATION POLICIES

As at 30th June 2002, the Group employed 8,183 staff member, of which 6,871 are workers on the Group's farmlands. Employee salaries are determined at a competitive level, other staff benefits include the Hong Kong Mandatory Provident Fund, insurance, education subsidies, training programmes and share option scheme.

Pursuant to an ordinary resolution passed at the Extraordinary General Meeting held by the Company on 19th June 2002, the then existing share option scheme adopted on 23rd November 2000 (the "2000 Scheme") was terminated and a new share option scheme (the "2002" Scheme) was approved and adopted. As at 30th June 2002, there was no outstanding option under either the 2000 Scheme or the 2002 Scheme.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

By way of a top-up placing of existing shares and subscription for new shares in the Company in November 2001, Kailey Investment Ltd. ("Kailey") placed 320,000,000 existing shares in the Company at a placing price of HK$2.3 per share with independent investors. Kailey at the same time subscribed for the same number of new shares at a subscription price of HK$2.30 per share. The net proceeds from the subscription amounted to RMB755,341,000 (equivalent to HK$711,645,000).

In January 2002, the Company entered into an agreement (the "Loan Agreement") relating to a loan facility of up to US$50,000,000 (the "Loan") with, inter alios, a syndicate of banks. The interest rate is at the London Inter-Bank Offered Rate in relation to the relevant interest period plus 1.875% per annum. The Loan is made available to the Company by way of a revolving loan facility during the 12-month period after the date of the Loan Agreement, and any principal amount of the Loan outstanding as at the date falling 12 months after the date of the Loan Agreement will automatically be converted into a term loan with a final repayment date falling 36 months after the date of the Loan Agreement. As at 30th June 2002, the Company drew down US$20,000,000 (equivalent to RMB165,173,000).

The Group's sales are mainly transacted in Renminbi and the books are recorded in Renminbi.

Management Discussion and Analysis

As at 30th June 2002, the Group had bank and cash balances together with long-term bank deposits amounting to RMB996,923,000, of which RMB129,499,000 were denominated in Renminbi, the remaining RMB867,424,000 were denominated in foreign currencies, predominately Hong Kong dollars and United States dollars. Since the exchange rate fluctuations between the Hong Kong dollar or United States dollar and Renminbi are immaterial, the foreign exchange risk is immaterial and no hedging has been carried out.

As at 30th June 2002, the Group's gearing ratio was 6.2%. This is based on the division of long term debt by total assets. Additionally, the Group's current ratio was 7.7 times, reflecting the presence of sufficient financial resources.

As at 30th June 2002, the Group had outstanding capital commitments amounting to RMB805,420,000, of which, commitments of RMB214,146,000 are contracted but not provided for, the remaining commitments of RMB591,274,000 have been authorised but not contracted for, in respect of the purchase of fixed assets and research and development expenditure. As at 30th June 2002, the Group did not have any material contingent liabilities.