Chairman's Statement

Business Overview

During 2003, the Group has achieved a gross sale revenue of approximately 300 million and an after tax profit of approximately 10 million (last year's net loss was approximately 35 million). Over the past few years, a series of improvement initiatives such as re-defining business directions, adjustment of unfavorable investment/assets have been carried out in order to align with the Group's new directions focusing on retail and retail related business. The Group's resources are re-allocated and the overall organization structure has been re-formatted. These measurements are proved to be successful evidenced by the Group's current assets being remarkably better both in terms of value and quality though its total net assets are slightly lower than the previous year.

Business re-alignment

Generally speaking, all the business re-engineering and re-development processes had been finalised by the end of 2003 since the Group started its re-positioning initiatives in 2000. During these processes, the Group has strengthened and laid down foundations through acquisition and investment in the area of retailing, supply chain assets and retail related businesses. The initial stage of strategic planning and the establishment of the retail operation network have so far been completed.

The retail and the retail related business investment opportunity in China is further enhanced by the influence of the CEPA and WTO agreements. At the same time, the investment climate and the business opportunity of the retail business in China are in an advantageous condition. In 2004, with all these favorable factors, the Group will carry out fund raising activities when appropriate opportunities arise so as to cope with the capital need of the Group's expansion plans. From 2005 onwards, the Group will be actively looking for opportunities to realise the return of its retail related investment made over the past few years.

In the area of fertiliser business and as driven by the market, the Group has strengthened its investment in environmental friendly fertiliser production and continues to nurture its high technology organic fertiliser production facilities. Currently, the organic fertiliser produced under the "Green Leaves" project in Shanghai is on a trial run basis with several agricultural production centers including vegetable farms and golf courses. Apart from the aforesaid, sales campaigns are also being undergone through the Group's chemical fertiliser distribution network and the responses so far are satisfactory.

Retailing and its policy reforms in China

Traditionally, the retail industry has been monopolized by the government entities in China. As a result of the duplication and misplacement of resources on top of the unnecessary bureaucracy, many of these retail entities are run at a loss and in deep debts. It is obvious that most of these retail businesses are not being run properly but yet occupy prime retail business estates in major cities of China. Currently, the government is aggressively looking for "qualified" parties who are interested in taking over these out-of-shape retail entities. Since the Group has good network and rapports with the government officials, it can easily access to and participate in some of these retail assets via strategic alliance, merging and acquisition.

The Group's retail business development in China

During 2003, the Group's "hypermarket" project under its jointly-controlled entities in central eastern China has been a great success. The total number of stores has been increased from 12 as budgeted to 21, and has brought a net sale revenue of approximately 140 million (100 million in 2002) — a growth of approximately 50 percent. Also, its net profit, EBITDA, profit after tax and other performance indicators are achieved to the level of international operators of the same industry. These are evidences showing that the project is well managed and is enjoying a stable revenue growth. The Group is confident to anticipate a considerable return on this project in the near future.

With regard to the Group's convenience store project, under its jointly-controlled entities with outlets located mainly in the north eastern China, the total number of stores has been increased from 21 stores in 2002 to 48 stores in 2003. With the SARS impacts in 2003, business in general has not been encouraging and most business activities have been ceased for a few months, however, the convenience store project mentioned above has recorded a significant growth in sales to approximately 52 million (total sales of 2002 was approximately 23 million). At this stage, there is no doubt that this project is capable to expand its network coverage speedily to its fullest potential. During the year 2004, the Group will be to acquire and to merge with government owned retail business networks that are suitable for convenience store development and to integrate it with the Group's various compatible retail assets.

Business objectives in 2004

In 2004, the priorities of the Group will be focused on capital enhancement from fund raising activities, merging, acquisition, re-alignment and fine tuning the retail business models so as to secure the return on any matured retail investment. Apart from the equity fund raising exercise, the Group will also pursue support from international investors/investment funds to participate in the Group's investment projects through listed equity level. The Board of Directors is confident with the afore-mentioned plans and believes that the inflow of capital will not only bring great financial support but will also uplift the Group's shares value significantly.

Financial Position

During the year 2003, 112,818,000 new ordinary shares were issued at a price of HK$0.10 per share. The new Shares representing approximately 16.66% of the then existing issued share capital of the Company were issued. The subscription realised around HK$11.2 million which would raise capital for the Company to broaden the shareholder base and capital base of the Company and would strengthen the financial position of the Company.

The group maintained a cash reserve of over HK$90 million and a current ratio of 2.64. 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. The Group has no contingent liabilities as at 31 December 2003.

Employee Information

As at 31 December 2003, the Group had 14 employees. The policy of employee remuneration, bonus, and share option scheme are commensurate with performance and comparable to market rate. Total staff costs for the year 2003 amounted to approximately HK$7.8 million.

On behalf of the Board
Cheung Siu Lam
Chairman

Hong Kong, 20 April 2004