

CHAIRMAN'S STATEMENT

主席報告

Robust Growth and Corporate Governance

MILESTONE DEVELOPMENT

Main Board Listing in Hong Kong

2001 was a milestone for Euro-Asia Agricultural (Holdings) Company Ltd ("Euro-Asia" or the "Company"). On 19 July, 2001, Euro-Asia was listed on the main board of the Stock Exchange of Hong Kong Limited and became a public company. Net proceeds of HK\$614.4 million were raised by the new issue of 460 million shares (or 27.7% of issued shares, with the exercise of over-allotment option due to good public response and demand) to public investors.

Selected by Forbes Among Best 200 Small Companies

The listing of Euro-Asia not only signifies the recognition of its pioneer business model in modern Chinese agriculture business, but also symbolises the potential growth of Chinese private-owned enterprises into multi-national enterprises in the 21st century. In October 2001, Forbes, the internationally reputable US magazine for global investors, selected Euro-Asia in its list of 200 best small companies after rigorous screens for promising business future despite Euro-Asia's short history.

Robust Operating Performance in 2001

Leveraging on the management team's professional expertise, solid experience and market visions, Euro-Asia aims at industrialised cultivation of floricultural and agricultural produce by utilizing agri-technology, namely plant tissue culture, cloning propagation and computerised greenhouses. Turnover jumped by 64% to RMB1,102.3 million in 2001 from RMB670.1 million in 2000. Thanks to intensive use of agri-technology, careful yield management and scale economies, operating costs were further reduced when compared with 2000. Enterprise income tax holiday and agricultural tax concession also contributed significantly to the surge of net profit by 173% to RMB521.1mn in 2001. At the bottom line, shareholders' funds advanced strongly as compared to 2000 by 443% to RMB 1,437.4 million.

企業管治 與高速增長

新的里程碑

香港主板上市

二零零一年是歐亞農業(控股)有限公司(下稱「歐亞」或「本公司」)發展史上的新里程碑。二零零一年七月十九日，歐亞在香港聯合交易所有限公司主板上市，成為一間公眾公司。通過向公眾投資者發行4.6億新股(佔發行股份的27.7%，包括因公開招股反應良好而行使的超額認購權)，本公司募集資金共6.14億元港幣。

當選福布斯最佳200小型企業之一

歐亞的上市不但標緻歐亞農業模式已成為中國現代化農業的一項新猷，更啟示中國民營企業邁向二十一世紀跨國企業的巨大潛力。二零零一年十月，國際著名的美國福布斯雜誌通過嚴格的考查，認為歐亞雖然歷史簡短但業務前景光明，故挑選歐亞成為其全球最佳200家小型公司榜之列。

2001年業績斐然

憑藉管理人員的專業知識、豐富經驗和市場觸覺，歐亞利用植物組織培育、克隆繁殖及電腦化溫室等科學技術，重點發展培植花卉及種植農產品。營業額由二零零零年6.70億元人民幣增至二零零一年11.02億元人民幣，增幅高達64%。通過廣泛應用農科技術，精心生產管理，發展規模經濟效益，經營成本較二零零零年進一步降低，二零零一年純利激增173%至5.21億元人民幣。此外，企業所得稅免稅期及農業稅稅務優惠也是盈利急漲的主要因素。與二零零零年相比，股東資金大幅增長至14.37億元人民幣，增幅達443%。

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NEW AREA OF EXPERIENCE

Accountability

As Chairman of Euro-Asia, a public company, I have deeply felt the accountability of the Board of Directors and the management team towards the interest of all shareholders, in particular our minority shareholders. They are in fact more than minority shareholders. They are Euro-Asia's invaluable "business partners". Without their support, Euro-Asia would not have grown into what it is today.

Transparency

To safeguard shareholders' interest, the Board is determined to achieve higher level of transparency in the company's business model, underlying operations, and strategic investment. The Board is therefore committed to enhance the efficiency of market information received by shareholders and investors with its best effort.

Corporate Governance

Being a small and growing company, and also an infant public company, the Board realises the credential of corporate governance. The Board therefore plans to strengthen the capacity of its members as well as the senior management team by a few new appointments in 2002. A new Chief Executive Officer (also in the capacity of Executive Director) will be appointed to segregate the duty of the Chairman from the former. To add value to the company, the Board also welcomes our business partners to form strategic alliance so as to secure Euro-Asia's competitive edges over Mainland Chinese as well as its global peers.

Organisational Management

The Board treasures that effective organisational management is essential for Euro-Asia to evolve into a Chinese multi-national company in the 21st century. The Board, with the assistance of a consulting firm to be hired, will consider re-structuring of the organisation chart and its reporting duties and authorities with an aim to effective enterprise management. A specialised organisation structure, plus a good team of management experts by function, in my philosophy, will offer an unrivalled platform to a promising future in Euro-Asia.

上市公司新體驗

問責制

作為一間上市公司的主席，本人深感董事會及管理層對本公司股東，尤其是少數股東肩負重大責任。他們不僅是少數股東和小投資者，更是歐亞珍貴的「生意夥伴」。沒有他們的支持，歐亞便沒有今天的成就。

透明度

為確保股東權益得到保護，董事會決心增強本公司營運模式、業務操作及投資策略的透明度，並抓緊巨大的市場機遇，利好本公司的盈利前景。董事會因此承諾盡一切的努力去提高市場信息的效率，令股東和投資者得到正確的信息。

企業管治

作為一間小型及發展迅速的公司和一間新上市的民營企業，董事會深感企業管治的重要性。因此，董事會擬於二零零二年增聘若干新人事，優化董事會成員及高級管理人員的質素，並將任命一位新的行政總裁（兼任執行董事），把主席與行政總裁的職責分開。為了提高公司的價值，董事會亦歡迎商業夥伴與本公司組成戰略聯盟，以鞏固歐亞在中國內地以至全球的競爭優勢。

組織化管理

董事會認為有效的組織架構是歐亞發展成為廿一世紀中國跨國企業的重要因素。通過外聘顧問公司的協助，董事會正考慮重整組織架構及其職責和權限，達到企業化的管理模式。本人認為，專業分工和企管人才將可帶領歐亞邁向美好的明天。

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NEW AREA OF EXPERIENCE (Cont'd)

Investor Relations

In the past eight months since listing, the Board learned that a proper investor relations channel shall be crucial to realisation if not maximisation of shareholder value. It shall not only help explain the unique and pioneer business model of Euro-Asia to investors, but also relief investor concerns about negative rumours that might instigate an unnecessary share price volatility.

In this connection, the Board has decided to build a corporate website as a basis for communication between Euro-Asia and its shareholders and potential investors. A new department called Corporate Planning and Development has been set up to plan the strategic paths of corporate growth and development. It will also be responsible for the building of trust between investors and the Company.

Shareholder Value

To maximise shareholder value, the Board is committed to observe a strict set of internal financial policies. Depending on the capital expenditure plan and working capital requirement, the Board recommends to the shareholders that Euro-Asia shall pay out dividends of not more than 30% of net profits in the next three to five years. Whenever and wherever opportunities arise, management will consider the alternative sources and cost of funding in the first place before tapping equity from the capital market. As a yardstick to avoid over-expansion, management considers it prudent to contain net gearing at 30% of net assets, and maintain an interest cover of not less than five times.

上市公司新體驗 (續)

與投資者關係

自上市後的八個月以來，董事會明白到與投資者保持適當的溝通渠道對實現和提高股東價值是非常重要的。它不僅協助投資者進一步了解歐亞的業務模式，更可消除投資者因不利流言而產生的顧慮，避免引致對股價產生不必要的波動。

為此，董事會決定設立公司網頁，作為與股東及投資者溝通的橋樑。新成立的「企業策劃與發展」部門，負責策劃企業發展策略並促進投資者與企業間的信任。

股東價值

為了股東能獲得最大價值，董事會將承諾遵照一系列嚴謹的內部財務政策。根據資本支出計劃及流動資金的需要，董事會向股東建議，歐亞未來三至五年內派發股息政策將不會超越盈利的30%。不論何時及在任何情況下，在資本市場融資之前，本公司將先行考慮所有融資渠道的可行性和成本效益。同時，管理層認為把負債比率保持在淨資產的30%水平，並維持利息覆蓋率不少於五倍，可作為確保本公司避免過度擴張的審慎標準。

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OUTLOOK OF 2002 - A YEAR OF CONSOLIDATION

Greenhouse Expansion in 2001

2001 was a monument year for China. Her accession to the World Trade Organisation has put Chinese private-owned enterprises into a battlefield of global challenges. As Chairman of Euro-Asia, I am delighted to have steered the Group and its business model into a fast growth phase by listing on the main board of the Stock Exchange of Hong Kong Limited. The equity raised offers an important source of funding for expansion of an additional 40 hectares of computerised greenhouses. The funds raised will also help enhancing Euro-Asia's production capacity and cost advantages. In other words, Euro-Asia has stridden a big step to equip itself for competition in the world horticulture market.

Productivity Management in 2002

For Euro-Asia, 2002 will be a year of management adjustment and consolidation. The Board reckons that, with an expanded scale to 67 hectares by September 2002 from 17 hectares by end-2001, the Company needs to implement the follow-on intake and training of new staff in sales, finance and accounting, general administration as well as production supporting functions. In my opinion, how to increase and sustain staff productivity shall be top of my agenda this year.

Quality Control and Brand Building

"Euro-Asia" as a brand name has been a successful player in the China market over the past few years. This brand name has further been recognised by overseas investors and importers after the Company's shares were listed on the Stock Exchange of Hong Kong Limited. Riding on this success, the Board is of the view that quality control should be carefully maintained, especially in compliance with the strict import quarantine and food safety standards set by the customs and health departments of export markets. To achieve this, the Board has decided to invest in cold-chain equipment and other production auxiliary facilities (e.g. flower packaging machines, tomato sorting and packaging machines) to enhance the value of Euro-Asia's supply chain to importers.

二零零二年展望 - 致力穩固基礎

二零零一年擴展溫室

二零零一年對中國來說，是歷史性的一年。加入世界貿易組織使中國的民營企業面臨國際性挑戰。作為歐亞的主席，本人十分高興本公司能成功於香港聯合交易所有限公司主板上市，帶領集團邁進高速發展的時代。上市所募集的資金更為擴展40公頃電腦化溫室提供重要的資金來源，同時有助鞏固歐亞的生產能力及成本優勢。換言之，上市集資為裝備歐亞打開世界花卉和蔬噪等農產品市場向前跨進一大步。

二零零二年管理生產力

二零零二年將是歐亞進行調整管理的一年。董事會認為，隨畝生產規模由二零零一年底的17公頃增至二零零二年九月的67公頃，本公司需要吸納和培訓銷售、財務、會計、一般行政及生產等各方面的新人員。本人認為，提高及優化員工的生產力將是今年本人定下的重要任務。

品質控制與品牌鑄造

在過去數年，「歐亞」已成為中國的成功品牌。自本公司股份在香港聯合交易所有限公司上市以來，「歐亞」更廣為海外投資者及進口商所認識。在此優勢下，董事會認為更須認真保持產品優良品質，特別是符合出口市場及衛生部門的進口檢疫和食品安全準則等嚴格要求。因此，董事會決定裝備一系列冷凍鏈（如包裝保鮮處理設備），以提高歐亞品牌成為進口商供應鏈的價值。

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OUTLOOK OF 2002 - A YEAR OF CONSOLIDATION (Cont'd)

Opportunities Induced By Japanese Yen Depreciation - Market Penetration and Product Diversification

In early 2002, Japanese Yen has depreciated sharply by about 15%. A weakened Yen is beneficial to Euro-Asia as more Japanese importers who used to purchase from the Dutch market will turn to China to source horticultural produce. Being an expert in greenhouse farming and order-farming, Euro-Asia will diversify into production of cut flowers (e.g. Chrysanthemum, roses, lilies) and vegetables (e.g. tomato, cucumber, sweet pepper) for export markets. The Board believes that product diversification this year will cause overall profit margin to narrow slightly. However, this will be offset by cost saving from scale economies and mitigation of seasonal volatility of demand for its horticultural produce.

APPRECIATION

The Board believes that by virtue of its agri-technology, Euro-Asia should be able to develop to become the market leader of horticultural producer in China. By replicating the Dutch expertise in greenhouse agriculture while taking advantage of China's cost advantages and proximity to major markets, the directors are confident that Euro-Asia could evolve into the long-term supply chain of high quality floral and vegetable produces for Japanese market.

As Chairman of this modern agricultural enterprise, I take this opportunity to express our heart-felt gratitude to our management team and our workers who contributed their best efforts to accomplish the superb operating performance in 2001. I also take this opportunity to thank all our suppliers and customers who support us heartily over the past years to bring our business a success.

Finally, the Board believes that the tough and prudent audit procedures of our auditors shall increase the transparency of our business operations as well as the creditworthiness of our enterprise value.

Chairman
Yang Bin

二零零二年展望 - 致力穩固基礎 (續)

日元貶值帶來新機遇 — 開拓市場與產品多元化

二零零二年初，日元貶值約達15%。日元弱勢對歐亞非常有利，因為日元貶值促使更多過往向荷蘭採購農產品的日本進口商轉移向中國採購。作為溫室種植和訂單農業的專家，歐亞將擴大產品的種類，生產切花（如菊花、玫瑰、百合花等）和菜類（如蕃茄、青瓜、甜椒等）供銷出口市場。董事會認為今年進行多元化產品發展會使整體邊際利潤略為下降，但規模經濟帶來的成本效益和銷貨減少季節性波動等將可抵消邊際利潤下滑的衝激。

致謝

董事會相信憑著其高科技農業模式，歐亞將可成為中國花卉蔬菜市場的先驅。通過引進荷蘭溫室農業和深加工技術，利用中國低成本及靠近主要市場的優勢，各董事有信心，歐亞將可成為日本市場高檔花卉及蔬菜的長期供應商。

作為一個現代化務農企業的主席，本人藉此機會對本公司管理層及員工為本公司於二零零一年優良業績所作出的貢獻衷心致謝。本人亦藉此機會感謝所有供應商和客戶對本公司數年如一日的支持，使本公司獲得如此卓越的成績。

最後，董事會認為，核數師嚴格認真的審計程序將可協助提高本公司業務的透明度，進一步提升了企業價值和建立良好的企業信譽。

主席
楊斌