

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements of the Company and its subsidiaries ("the Group") for the year ended 30th June 2001.

PRINCIPAL ACTIVITIES AND SEGEMENTAL ANALYSIS OF OPERATIONS

The principal activity of the company is investment holding. The activities of the subsidiaries are set out in note 14 to the financial statements.

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities is set out in note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated profit and loss account on page 28.

The directors have recommended the payment of a final dividend of HK\$0.073 (equivalent to RMB0.07738) per ordinary share, totalling HK\$116,800,000 (equivalent to RMB123,808,000). No interim dividend was declared for the six months ended 31st December 2000.

RESERVES

Movement in the reserves of the Group and the Company during the year are set out in note 26 to the financial statements.

FIXED ASSETS

Details of the movements in the fixed assets of the Group are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 25 to the financial statements.

DISTRIBUTABLE RESERVES

Reserves of the Company at 30th June 2001 available for distribution amounted to RMB614,473,000 (2000: Nil).

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the laws in the Cayman Islands, being the jurisdiction in which the Company is incorporated.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the current year and the last three financial years are set out on page 62.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Mr. Kwok Ho	(Appointed on 24th August 2000)
Mr. Ip Chi Ming	(Appointed on 24th August 2000)
Madam Chiu Na Lai	(Appointed on 24th August 2000)
Mr. Lee Yan	(Appointed on 17th November 2000)
Mr. Wong Kong Chi*	(Appointed on 17th November 2000)
Professor Lin Shun Quan*	(Appointed on 17th November 2000)

* *Independent non-executive Directors*

In accordance with Article 116 of the Company's Articles of Association, Mr. Kwok Ho and Mr. Ip Chi Ming will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Mr. Wong Kong Chi and Professor Lin Shun Quan are independent non-executive Directors and were appointed for a two year term expiring on 30th November 2002.

DIRECTORS' REPORT *(Continued)*

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors of the Company has entered into a service contract with the Company. The respective terms of the service contracts of the executive Directors of the Company are as follows:-

Mr. Kwok Ho	9 years
Mr. Ip Chi Ming	5 years
Madam Chiu Na Lai	3 years
Mr. Lee Yan	3 years

In all cases, the service contracts commenced on 1st December 2000, and will continue thereafter unless and until terminated by either party giving to the other not less than three months' notice in writing.

Save as disclosed above, none of the Directors of the Company has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details and senior management are set out on pages 14 to 16.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30th June 2001, the interests of the Directors and Chief Executive of the Company in the equity and debt securities of the Company or any of its associated corporations as recorded in the register kept by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of Company	Name of Director	Number of Shares			Total Shares
		Personal interests	Family interests	Corporate interests	
The Company	Mr. Kwok Ho	—	—	894,000,000 <i>(note 1)</i>	894,000,000
The Company	Mr. Ip Chi Ming	—	—	204,000,000 <i>(note 2)</i>	204,000,000

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY OR DEBT SECURITIES *(Continued)*

Notes:

1. Held through Kailey Investment Ltd. in which Mr. Kwok Ho has 900 shares and his spouse, Madam Chiu Na Lai has 100 shares representing 90% and 10% respectively of the total issued share capital of Kailey Investment Ltd.
2. Held through Young West Investments Ltd. which is wholly-owned by Mr. Ip Chi Ming.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the agreements disclosed under the heading "Connected Transactions" below, there were no other contracts of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party, subsisted at the end of the year or at any time during the year, and in which a Director had, whether directly or indirectly, a material interests, nor there were any other contracts of significance in relation to the Company's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

On 23rd November 2000 the Company had conditionally adopted a Share Option Scheme pursuant to which full time employees including executive directors of the Company and its subsidiaries, may be granted options to subscribe for shares of the Company. During the year, no option was granted under the Share Option Scheme.

Save as disclosed above, as at 30th June 2001, none of the Directors or Chief Executive of the Company or their respective associates had any interest or right to subscribe for any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries, its holding company, or any of its fellow subsidiaries a party to any arrangement to enable the Directors (including their respective spouses or children under 18 years of age) or Chief Executive of the Company to acquire benefits by means of acquisition of shares in or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT *(Continued)*

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is interested in any business which competes or is likely to compete, either directly or indirectly, with the Company's business.

CONNECTED TRANSACTIONS

Significant related party transactions which also constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), entered into by the Group during the year are disclosed in note 30 to the financial statements. The independent non-executive Directors of the Company had reviewed the above connected transactions set out in note 30 for which the Stock Exchange has granted a waiver from the relevant requirements of the Listing Rules and confirmed that:

- (a) the transactions have been entered into by the Group in the ordinary and usual course of its business;
- (b) the transactions have been entered into on normal commercial terms or on the terms no less favourable than terms available to or from independent third parties;
- (c) the transactions have been entered into on terms fair and reasonable so far as shareholders of the Company are concerned; and
- (d) the purchase of organic fertilizers, plant growth regulators and seeds by the Group from Fujian Chaoda Agricultural Produce Trading Company Limited¹ and Beijing Chaoda Yingjun Bio-tech Company Limited², which constitute connected transactions and in respect of the waiver granted by the Stock Exchange, the aggregate value of the purchases of organic fertilizers, plant growth regulators and seeds from the connected parties do not exceed 55%, 3% and 5% respectively of the total purchase and 12%, 0.5% and 1% respectively of the total turnover of the Group, being limits subject to which the Stock Exchange has granted the waiver from strict compliance with the provisions governing connected transactions under the Listing Rules.

Notes:

1. Mr. Kwok holds a 65% equity interest in Fujian Chaoda Group Limited, a limited company incorporated in the PRC, which holds a 60% equity interest in Fujian Chaoda Agricultural Produce Trading Company Limited.
2. Beijing Chaoda Yingjun Bio-Tech Company Limited is a PRC limited liability company in which Mr. Kwok Ho holds a 80% equity interest.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30th June 2001, so far as is known to the Directors, the following persons (other than the Directors or Chief Executives of the Company whose interests are disclosed above) were recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance as being directly or indirectly interested in 10% or more of the nominal value of the issued share capital of the Company:

Name of Shareholder	Number of Shares	% of issued share capital
Kailey Investment Ltd. (Note 1)	894,000,000	55.875%
Young West Investments Ltd. (Note 2)	204,000,000	12.75%

Notes:

1. Kailey Investment Ltd. is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially owned as to 90% by Mr. Kwok Ho and as to 10% by Madam Chiu Na Lai. Mr. Kwok Ho is entitled to exercise 90% of the voting powers at general meetings of Kailey Investment Ltd.
2. Young West Investments Ltd. is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially owned as to 100% by Mr. Ip Chi Ming.

RETIREMENT SCHEME ARRANGEMENT

Particulars of the Group's retirement scheme are set out in note 11 to the financial statements.

DIRECTORS' REPORT *(Continued)*

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

— the largest supplier	44%
— five largest suppliers combined	60%

Sales

— the largest customer	9%
— five largest customers combined	29%

Mr. Kwok Ho holds a 65% equity interest in Fujian Chaoda Group Limited, a limited company incorporated in the PRC, which holds a 60% equity interest in the Group's largest supplier.

None of the Directors of the Company or their respective associates or any shareholder, who to the knowledge of the Directors, owns more than 5% of the Company's share capital had an interest in any of the major customers noted above.

AUDIT COMMITTEE

The Audit Committee comprises Mr. Wong Kong Chi and Professor Lin Shun Quan, the two independent non-executive Directors of the Company, has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited annual financial statements.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not, for any part of the accounting period for the year ended 30th June 2001, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

SUBSEQUENT EVENTS

Details of the significant events subsequent to the balance sheet date of 30th June 2001 are set out in note 31 to the financial statements.

DIRECTORS' REPORT *(Continued)*

AUDITORS

The financial statements for the year were audited by PricewaterhouseCoopers and Charles Chan, Ip & Fung CPA Ltd., the joint auditors of the Company, who will retire, and being eligible, will offer themselves for re-appointment.

On behalf of the Board

Kwok Ho

Chairman

Hong Kong, 15th October 2001