

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 30 June 2004.

PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 36 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results for the year ended 30 June 2004 are set out in the consolidated income statement on page 37.

DIVIDENDS

The Board has recommended the payment of a final dividend of RMB0.077 per share (approximately equivalent to HK\$0.073 per share) for the year ended 30 June 2004. The Board also recommended the payment of a special dividend of RMB0.008 per share (approximately equivalent to HK\$0.007 per share) for the exceptional income of tax provided in prior years being written back during the year. The proposed final dividend and the special dividend are subject to the approval by the shareholders at the forthcoming annual general meeting to be held on 25 November 2004, to the shareholders whose names appear on the Register of Members of the Company on 25 November 2004 and payable on or before 9 December 2004. No interim dividend was declared for the six months ended 31 December 2003 (2002: Nil).

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 32 to the financial statements.

FIXED ASSETS

Details of the movements in the fixed assets of the Group are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

Reserves of the Company at 30 June 2004 available for distribution amounted to RMB2,002,421,000 (2003: RMB1,287,823,000).

Directors' Report

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2004.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the current year and the last four financial years are set out on page 84.

DIRECTORS

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

Mr. Kwok Ho	
Mr. Ip Chi Ming	
Madam Chiu Na Lai	(Resigned on 20 September 2004)
Dr. Lee Yan	
Mr. Chan Hong	(Appointed on 1 September 2003)
Ms. Wong Hip Ying	(Appointed on 1 September 2003)
Mr. Fong Jao	(Appointed on 1 September 2003)
Mr. Fung Chi Kin*	(Appointed on 1 September 2003)
Mr. Tam Ching Ho*	(Appointed on 1 September 2003)
Professor Lin Shun Quan*	
Madam Luan Yue Wen*	(Appointed on 20 September 2004)
Mr. Wong Kong Chi*	(Resigned on 1 September 2003)

* *Independent Non-executive Director*

In accordance with Article 99 of the Company's Articles of Association, Madam Luan Yue Wen will retire at the forthcoming Annual General Meeting and, being eligible, offer herself for re-election.

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

Directors' Report

DIRECTORS' SERVICE AGREEMENTS

Each of the Executive Directors of the Company has entered into a service agreement with the Company. The terms of appointment are as follows:

Mr. Kwok Ho	9 years
Mr. Ip Chi Ming	5 years
Dr. Lee Yan	3 years
Mr. Chan Hong	3 years
Ms. Wong Hip Ying	3 years
Mr. Fong Jao	3 years

The service agreements of Mr. Kwok Ho and Mr. Ip Chi Ming were commenced on 1 December 2000 and shall continue thereafter unless and until terminated by either party giving to the other not less than three months' notice in writing. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), such service agreements were entered into on or before 31 January 2004, which are exempt from the shareholders' approval requirement under rule 13.68. Details of such service agreements are set out in the section headed "Profiles of Directors and Senior Executives".

The service agreement of Dr. Lee Yan and the service agreements of Mr. Chan Hong, Ms. Wong Hip Ying and Mr. Fong Jao were commenced on 1 December 2000 and 1 September 2003 respectively and shall continue thereafter unless and until terminated by either party giving to the other not less than three months' notice in writing.

Professor Lin Shun Quan, being the Independent Non-executive Director of the Company, has entered into a letter of appointment with the Company for continuously appointed for another two-year term expiring on 30 November 2006 unless it is terminated by either party giving to the other not less than three months' notice in writing.

Mr. Fung Chi Kin and Mr. Tam Ching Ho, both the Independent Non-executive Directors of the Company, have each entered into a letter of appointment with the Company for continuously appointed for another one-year term expiring on 31 August 2005 unless it is terminated by either party giving to the other not less than three months' notice in writing.

Madam Luan Yue Wen was appointed as the Independent Non-executive Director of the Company for a two-year term commencing on 20 September 2004 unless it is terminated by either party giving to the other not less than three months' notice in writing.

The Company received confirmation of independence from Mr. Fung Chi Kin, Mr. Tam Ching Ho and Professor Lin Shun Quan, being the Independent Non-executive Directors in respect of the year ended 30 June 2004, pursuant to Rule 3.13 of the Listing Rules. The Company also received confirmation of independence from Madam Luan Yue Wen, who has been appointed as an Independent Non-executive Director with effect from 20 September 2004, pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-Executive Directors to be independent.

Directors' Report

DIRECTORS' SERVICE AGREEMENTS *(Continued)*

Save as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting has an unexpired service agreement which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

EXECUTIVE DIRECTORS' ATTENDANCE AT THE BOARD MEETINGS

During the year ended 30 June 2004, there were 21 board meetings held by the Company. The attendance records of each of the Executive Directors are as follows:

Executive Directors	Number of committee meetings attended	Attendance rate
Mr. Kwok Ho	21 out of 21	100%
Mr. Ip Chi Ming	21 out of 21	100%
Madam Chiu Na Lai	21 out of 21	100%
Dr. Lee Yan	10 out of 21	48%
Mr. Chan Hong <i>(Note)</i>	11 out of 19	58%
Ms. Wong Hip Ying <i>(Note)</i>	11 out of 19	58%
Mr. Fong Jao <i>(Note)</i>	11 out of 19	58%

Note: Mr. Chan Hong, Ms. Wong Hip Ying and Mr. Fong Jao were appointed on 1 September 2003.

PROFILES OF DIRECTORS AND SENIOR EXECUTIVES

Profiles of Directors and Senior Executives of the Group are set out on pages 15 to 20.

DIRECTORS' REMUNERATION

During the year ended 30 June 2004, the remuneration paid to the Directors of the Company are as follows:

	Basic salaries, allowances & other benefits RMB'000	Provident fund contribution RMB'000	Total RMB'000
Executive Directors			
Mr. Kwok Ho	1,377	13	1,390
Mr. Ip Chi Ming	688	13	701
Madam Chiu Na Lai	688	13	701
Dr. Lee Yan	72	—	72
Mr. Chan Hong	112	—	112
Ms. Wong Hip Ying	112	—	112
Mr. Fong Jao	112	—	112
Independent Non-executive Directors			
Mr. Wong Kong Chi	74	—	74
Mr. Fung Chi Kin	106	—	106
Mr. Tam Ching Ho	106	—	106
Professor Lin Shun Quan	24	—	24

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2004, the interests and short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in the Listing Rules were as follows :

Long positions in shares of the Company

Name of director	Personal interests	Number of ordinary shares			Total	Percentage of issued share capital recorded in the register
		Family interests	Corporate interests			
Mr. Kwok Ho	—	1,625,000	1,035,300,000	1,036,925,000	44.46%	
			(Note 1)		(Note 3)	
Madam Chiu Na Lai	1,625,000	1,035,300,000	—	1,036,925,000	44.46%	
(Note 4)		(Note 1)			(Note 3)	
Mr. Ip Chi Ming	—	—	34,500,000	34,500,000	1.48%	
			(Note 2)		(Note 3)	
Mr. Chan Hong	1,025,000	—	—	1,025,000	0.04%	
					(Note 3)	
Mr. Fong Jao	500,000	—	—	500,000	0.02%	
					(Note 3)	

Notes:

- Held through Kailey Investment Ltd. in which Mr. Kwok Ho has 800 shares and the spouse, Madam Chiu Na Lai, has 100 shares representing 80% and 10% respectively of the total issued share capital of Kailey Investment Ltd.

Subsequent to the transfers of shares of Kailey Investment Ltd. on 28 July 2004, Mr. Kwok Ho has 1,000 shares representing 100% of the total issued share capital of Kailey Investment Ltd.
- Held through Young West Investments Ltd. which is wholly-owned by Mr. Ip Chi Ming.
- The percentage of issued share capital (based on the issued share capital of the Company as at 30 June 2004 of 2,342,084,000 shares) held by Mr. Kwok Ho, Madam Chiu Na Lai, Mr. Ip Chi Ming, Mr. Chan Hong and Mr. Fong Jao are 44.27%, 44.27%, 1.47%, 0.04% and 0.02% respectively.
- Madam Chiu Na Lai resigned as a director of the Company on 20 September 2004.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (Continued)

Long positions in underlying shares of the Company

Share Options in the Company

Name of director	Date of grant	Exercise price (Note 2) HK\$	Exercisable period	Number of shares in respect of options outstanding as at
				30 June 2004 (Note 2)
Mr. Kwok Ho	28/01/2003	1.58	01/07/2003 — 27/01/2013	21,000,000
			01/01/2004 — 27/01/2013	21,000,000
			01/01/2005 — 27/01/2013	21,000,000
Madam Chiu Na Lai (Notes 1 and 3)	28/01/2003	1.58	01/07/2003 — 27/01/2013	21,000,000
			01/01/2004 — 27/01/2013	21,000,000
			01/01/2005 — 27/01/2013	21,000,000
Dr. Lee Yan	28/01/2003	1.58	01/07/2003 — 27/01/2013	2,100,000
	24/06/2003	1.09	01/07/2003 — 23/06/2013	1,575,000
Mr. Chan Hong	28/01/2003	1.58	01/07/2003 — 27/01/2013	1,600,000
Ms. Wong Hip Ying	28/01/2003	1.58	01/07/2003 — 27/01/2013	1,075,000
	19/06/2003	1.08	01/07/2003 — 18/06/2013	1,600,000
Mr. Fong Jao	28/01/2003	1.58	01/07/2003 — 27/01/2013	2,100,000
	19/06/2003	1.08	01/07/2003 — 18/06/2013	1,600,000

Notes :

- Options in respect of 63,000,000 shares were held by Mr. Kwok Ho.
- Due to the bonus issue of shares in the proportion of one bonus share for every twenty shares allotted on 15 January 2004, the number of the outstanding options in respect of the shares of the Company and the option prices have been adjusted.
- Madam Chiu Na Lai resigned as a director of the Company on 20 September 2004.

Save as disclosed above, none of the directors, chief executives or their associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept by the Company under Section 352 of the SFO or which are notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2004, so far as is known to the Directors, the following parties (other than the Directors and Chief Executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

Name	Capacity	Number of ordinary shares	Percentage of issued share capital recorded in the register
Kailey Investment Ltd. (Note 1)	Beneficial owner	1,035,300,000	44.52% (Note 4)
Value Partners Limited (Note 2)	Investment manager	187,275,700	8.03% (Note 4)
Cheah Cheng Hye	(Notes 2 and 3)	187,875,700	8.06% (Note 4)

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 80% by Mr. Kwok Ho and 10% by Madam Chiu Na Lai. Mr. Kwok Ho is entitled to exercise 80% of the voting powers at general meetings of Kailey Investment Ltd.

Subsequent to the transfers of shares of Kailey Investment Ltd. on 28 July 2004, Mr. Kwok Ho has 1,000 shares representing 100% of the total issued share capital of Kailey Investment Ltd.
2. Value Partners Limited is a company incorporated in the British Virgin Islands with limited liability which is owned as to 31.82% by Mr. Cheah Cheng Hye.
3. 500,000 shares were personally owned by Mr. Cheah Cheng Hye and 100,000 shares were owned by his family member.
4. The percentage of issued share capital (based on the issued share capital of the Company as at 30 June 2004 of 2,342,084,000 shares) held by Kailey Investment Ltd. (being 1,035,300,000 shares), Value Partners Limited (being 189,643,700 shares) and Mr. Cheah Cheng Hye (being 190,967,700 shares) are 44.20%, 8.10% and 8.15% respectively.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares.

Directors' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under the headings "Share Option Scheme" below and "Directors' and Chief Executives' Interests in Securities" 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 or Chief Executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Apart from the information disclosed under the heading "Connected Transactions" below, there was no other contract of significance in relation to the Company'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 interest, nor there was any other contract 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 30 June 2004, none of the Directors of the Company 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 Listing Rules, entered into by the Group during the year are disclosed in note 35 to the financial statements. The independent non-executive Directors of the Company had reviewed the connected transactions set out in note 35 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 business;
- (b) the transaction 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 transaction have been entered into on terms fair and reasonable so far as shareholders of the Company are concerned; and
- (d) the purchase of organic fertilisers, plant growth regulators by the Group from Fujian Chaoda Agriculture Produce Trading Company Limited, which constitute connected transactions and in respect of the waiver granted by the Stock Exchange, the aggregate value of the purchases of organic fertilisers, plant growth regulators from the connected parties do not exceed 55% and 3% of the total purchase and 12% and 0.5% 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.

Directors' Report

CONNECTED TRANSACTIONS *(Continued)*

Note: Mr. Kwok Ho and Madam Chiu Na Lai hold 95% and 5% respectively of the equity interest in Fujian Chaoda Group Limited, a limited company incorporated in the People's Republic of China ("PRC"), which hold, a 60% equity interest in Fujian Chaoda Agriculture Produce Trading Company Limited.

SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted pursuant to a resolution passed at the extraordinary general meeting of the Company held on 19 June 2002 for the primary purpose of providing incentives or rewards to selected participants, and will expire on 18 June 2012. Under the Scheme, the Company may grant options to any participant includes any Director (whether executive or non-executive, including any independent non-executive director) or employee (whether full time or part time) of, or any individual for the time being seconded to work for, any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder (a "**Category A Participant**"); or any holder of any securities issued by any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder (a "**Category B Participant**"); or (i) any business or joint venture partner, contractor or agent of; (ii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional services to; (iii) any supplier, producer or licensor of any goods or services to; (iv) any customer, licensee or distributor of any goods or services of; (v) any landlord or tenant of; any member of the Group or any controlling shareholder or any company controlled by a controlling shareholder (a "**Category C Participant**") and, for the purposes of the Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of participants to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme must not exceed 10% of the shares of the Company in issue as at the adoption date. The total number of shares issued and to be issued upon exercise of the options granted to a Participant in any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of the individual limit must be subject to shareholders' approval.

Options granted must be taken up within 30 days from the offer date, upon payment of HK\$1.00 per offer. Save as determined by the Directors and provided in the offer of the grant of the relevant option, there is no performance target requirement which must be achieved before any of the options can be exercised and there is no general requirement that an option must be held for any minimum period before it can be exercised. The option price is determined by the Board of Directors in its absolute discretion which, in any event, shall be at least the higher of (a) the closing price of the shares on the offer date; (b) the average closing price of the shares for the five business days immediately preceding the offer date; and (c) the nominal amount for the time being of each share.

Directors' Report

SHARE OPTION SCHEME (Continued)

Details of the movements of the outstanding share options granted under the Scheme of the Company during the year were as follows:

Name or Category of participant	Number of Shares in respect of Options					Date of grant	Exercisable period	Exercise price per share (Note 1) HK\$	Weighted average closing price (Note 3) HK\$
	Balance as at 1 July 2003	Granted during the year	Option Adjustment during the year (Note 1)	Exercised during the year	Outstanding as at 30 June 2004 (Note 2)				
Directors:									
Kwok Ho	20,000,000	—	1,000,000	—	21,000,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	—
	20,000,000	—	1,000,000	—	21,000,000	28/01/2003	01/01/2004 — 27/01/2013	1.58	—
	20,000,000	—	1,000,000	—	21,000,000	28/01/2003	01/01/2005 — 27/01/2013	1.58	—
Ip Chi Ming	5,000,000	—	—	5,000,000	—	28/01/2003	01/07/2003 — 27/01/2013	1.66	2.51
	—	—	150,000	150,000	—	—	01/07/2003 — 27/01/2013	1.58	2.70
	2,500,000	—	—	2,500,000	—	24/06/2003	01/07/2003 — 23/06/2013	1.14	1.97
Chiu Na Lai (Note 6)	5,000,000	—	—	5,000,000	—	28/01/2003	01/07/2003 — 27/01/2013	1.66	2.50
	—	—	125,000	125,000	—	—	01/07/2003 — 27/01/2013	1.58	2.70
Lee Yan	2,000,000	—	100,000	—	2,100,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	—
	1,500,000	—	75,000	—	1,575,000	24/06/2003	01/07/2003 — 23/06/2013	1.09	—
Chan Hong	2,000,000	—	100,000	500,000	1,600,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	3.10
	500,000	—	—	500,000	—	19/06/2003	01/07/2003 — 18/06/2013	1.13	2.64
	1,500,000	—	75,000	1,575,000	—	19/06/2003	01/07/2003 — 18/06/2013	1.08	2.97
Wong Hip Ying	1,500,000	—	75,000	500,000	1,075,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	3.10
	2,000,000	—	100,000	500,000	1,600,000	19/06/2003	01/07/2003 — 18/06/2013	1.08	2.70
Fong Jao	2,000,000	—	100,000	—	2,100,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	—
	2,000,000	—	100,000	500,000	1,600,000	19/06/2003	01/07/2003 — 18/06/2013	1.08	3.10

Directors' Report

SHARE OPTION SCHEME (Continued)

Name or Category of participant	Balance as at 1 July 2003	Number of Shares in respect of Options			Outstanding as at 30 June 2004 (Note 2)	Date of grant	Exercisable period	Exercise price per share (Note 1) HK\$	Weighted average closing price (Note 3) HK\$
		Granted during the year	Option Adjustment during the year (Note 1)	Exercised during the year					
Employees:									
In aggregate	2,150,000	—	—	2,150,000	—	28/01/2003	01/07/2003 — 27/01/2013	1.66	2.58
	5,850,000	—	292,500	3,592,500	2,550,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	2.82
	14,200,000	—	—	14,200,000	—	19/06/2003	01/07/2003 — 18/06/2013	1.13	1.85
	24,500,000	—	1,225,000	9,083,900	16,641,100	19/06/2003	01/07/2003 — 18/06/2013	1.08	2.83
	6,000,000	—	300,000	—	6,300,000	19/06/2003	01/07/2004 — 18/06/2013	1.08	—
	—	5,550,000	—	—	5,550,000	28/05/2004	01/01/2005 — 27/05/2014	2.40	—
	—	500,000	—	—	500,000	28/05/2004	01/07/2005 — 27/05/2014	2.40	—
	—	1,050,000	—	—	1,050,000	28/05/2004	01/01/2006 — 27/05/2014	2.40	—
	—	500,000	—	—	500,000	28/05/2004	01/07/2006 — 27/05/2014	2.40	—
	—	1,050,000	—	—	1,050,000	28/05/2004	01/01/2007 — 27/05/2014	2.40	—
Other Participants:									
In aggregate	4,000,000	—	—	4,000,000	—	19/06/2003	01/07/2003 — 18/06/2013	1.13	1.68
	1,000,000	—	50,000	—	1,050,000	19/06/2003	01/07/2004 — 18/06/2013	1.08	—
Total	145,200,000	8,650,000	5,867,500	49,876,400	109,841,100				

Notes :

- Due to the bonus issue of shares in the proportion of one bonus share for every twenty shares allotted on 15 January 2004, the number of the outstanding options in respect of the shares of the Company and the option prices have been adjusted.
- No Option has been lapsed or cancelled during the year ended 30 June 2004.

Directors' Report

SHARE OPTION SCHEME (Continued)

Notes : (Continued)

3. This represents weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised. A total of 49,876,400 options were exercised during the year ended 30 June 2004, the weighted average closing price of the share immediately before the dates on which the options were exercised was HK\$2.3488.
4. The closing price immediately before the date of options granted on 28 May 2004 was HK\$2.50.
5. The share options granted are not recognized in the financial statements until they are exercised. The Directors consider that it is not appropriate to disclose the value of options granted during the year, since any valuation of the above options would be subject to a number of assumptions that would be subjective and uncertain.
6. Madam Chiu Na Lai resigned as a director of the Company on 20 September 2004.

RETIREMENT SCHEME ARRANGEMENT

Particulars of the Group's retirement scheme are set out in note 13 to the financial statements.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange throughout the financial year under review.

MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules of the Stock Exchange. Upon enquiry by the Company, all of the Directors have confirmed that they have complied with the standards set out in the Model Code throughout the financial year under review.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

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

Purchase

— the largest supplier	37%
— five largest suppliers combined	47%

Sales

— the largest customer	4%
— five largest customers combined	14%

Directors' Report

MAJOR SUPPLIERS AND CUSTOMERS *(Continued)*

Mr. Kwok Ho and Madam Chiu Na Lai hold 95% and 5% respectively of the equity interest in Fujian Chaoda Group Limited, a limited company incorporated in the "PRC", which hold 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, own more than 5% of the Company's share capital had an interest in any of the major customers noted above.

PLACING AND SUBSCRIPTION OF SHARES

On 15 January 2004, Kailey Investment Ltd., the controlling shareholder of the Company, entered into an agreement with CITIC Capital Markets Limited and the Company. Pursuant to the Agreement, Kailey Investment Ltd. agreed to place through CITIC Capital Markets Limited 280,000,000 ordinary shares of nominal value HK\$0.10 each at a placing price of HK\$2.50 per share, representing a discount of approximately 5.7% to the closing price of HK\$2.65 per share quoted on the Stock Exchange on 14 January 2004, being the latest trading day prior to the agreement for the placing and subscription of shares, and Kailey Investment Ltd. also agreed to subscribe new shares equal to the number of placing shares at a subscription price of HK\$2.50 per share.

The placing was made to independent professional, institutional and other investors and was completed on 20 January 2004 and the subscription was completed on 29 January 2004. The net proceeds were approximately HK\$683,000,000, approximately HK\$50,000,000 were for land leasing costs in connection with the expansion of the Group's production bases, approximately HK\$350,000,000 were for the construction of irrigation systems and infrastructure facilities at the Group's production bases and approximately HK\$283,000,000 were for general working capital. The Directors consider that the placing and the subscription will strengthen the financial position of the Group and broaden the shareholder base and capital base of the Company.

PROPOSED ISSUE OF FIXED RATE BONDS

On 14 June 2004, the Company proposed to issue fixed rate bonds with an expected aggregate principal amount of US\$150,000,000. The Company intended to use the net proceeds arising from the proposed bond issue to finance the expansion of the agricultural production bases of the Company and its subsidiaries for general corporate purposes.

Subsequently, the Company announced on 20 July 2004 that the Company had decided not to proceed with the proposed bond issue in view of the market conditions. No legal binding underwriting or subscription agreement had been entered into by the Company in relation to the proposed bond issue. Based on the cash reserve of the Group, the Company's decision not to proceed with the proposed bond issue would not have any impact on the operation and business of the Group.

Directors' Report

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

During the year ended 30 June 2004, circumstance which will trigger events of default of the Company under the banking facility document as far as the obligation of the controlling shareholder is concerned is as follow:

On 30 April 2004, the Company had entered into a loan agreement (the "Loan Agreement") with, inter alios, a syndicate of banks relating to a loan facility of up to US\$21,000,000 (the "Loan"). Under the Loan Agreement, it would be an event of default if Mr. Kwok Ho, the controlling shareholder of the Company holding approximately 44.21% of the issued share capital of the Company through Kailey Investment Ltd., ceases to be the controlling shareholder (as defined in the Listing Rules) of the Company. If such an event of default occurs, all amounts outstanding in respect of the Loan would become immediately due and payable by the Company.

AUDIT COMMITTEE

The member of the audit committee ("Audit Committee") comprised Mr. Fung Chi Kin and Mr. Tam Ching Ho who were involved in the review of the unaudited interim financial statements of the Group for the six months ended 31 December 2003.

The Audit Committee presently comprises three Independent Non-executive Directors, namely, Mr. Fung Chi Kin, Mr. Tam Ching Ho and Madam Luan Yue Wen. The Audit Committee has reviewed with the Company's 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 financial statements of the Group during the year.

The Audit Committee meets at least twice each year to review the completeness, accuracy and fairness of the Group's financial statements and to consider the nature and scope of external audit reviews. It also assesses the effectiveness of the systems of internal control. Internal control systems have been designed to allow the Board of Directors to monitor the Company's overall financial position and to protect its assets. The purpose is to guard against material financial misstatement or loss. For the meetings of the Audit Committee in the year 2003/2004, the external auditors, the chief financial officer, the financial controller and the executive directors in charge of finance matters and operations of the Group attended the meetings to answer questions on the reports or their work.

The Committee held two meetings during the year. Individual Audit Committee Members' attendance records are as follows:

Audit committee members	Number of committee meetings attended	Attendance rate
Mr. Fung Chi Kin	2 out of 2	100%
Mr. Tam Ching Ho	2 out of 2	100%

Note: Two Audit Committee meetings were held on 16 October 2003 and 16 March 2004. Madam Luan Yue Wen was appointed as an Independent Non-executive Director and Audit Committee member on 20 September 2004.

Directors' Report

CORPORATE GOVERNANCE

The Group endeavours to maintain a high corporate governance level and to enhance its transparency. The Group decides to strengthen communications with its shareholders and investors so as to ensure every major decision making will be accountable to the shareholders and will be in the interest of all shareholders.

SUBSEQUENT EVENTS

Details of the significant events subsequent to the balance sheet date of 30 June 2004 are set out in note 37 to the financial statements.

AUDITORS

The financial statements were audited by CCIF CPA Limited (formerly known as Charles Chan, Ip & Fung CPA Ltd.) who will retire at the conclusion of the forthcoming annual general meeting and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of CCIF CPA Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

PricewaterhouseCoopers, being one of the joint auditors of the Company, resigned on 3 June 2003. The financial statements for the year ended 30 June 2003 were audited by Charles Chan, Ip & Fung CPA Ltd., being the remaining joint auditors of the Company.

On behalf of the Board

Kwok Ho
Chairman

Hong Kong, 19 October 2004