

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 2005.

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 41 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results for the year ended 30 June 2005 are set out in the consolidated income statement on page 32.

DIVIDENDS

The Board has recommended the payment of a final dividend of RMB0.111 per share (approximately equivalent to HK\$0.107 per share) for the year ended 30 June 2005 (2004: a final dividend of RMB0.077 per share (approximately equivalent to HK\$0.073 per share) and a special dividend of RMB0.008 per share (approximately equivalent to HK\$0.007 per share)), subject to the approval by the shareholders at the forthcoming annual general meeting to be held on 25 November 2005, to the shareholders whose names appear on the Register of Members of the Company on 25 November 2005 and payable on or before 8 December 2005.

No interim dividend was declared for the six months ended 31 December 2004 (2003: Nil).

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 37 to the financial statements.

FIXED ASSETS

Details of the movements in the fixed assets of the Group and the Company are set out in note 17 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 35 to the financial statements.

DISTRIBUTABLE RESERVES

Reserves of the Company at 30 June 2005 available for distribution amounted to RMB1,969,637,000 (2004: RMB2,002,421,000).

PRE-EMPTIVE RIGHTS

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

Directors' Report

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 30 June 2005, the Company purchased 1,890,000 shares of HK\$0.1 each in the capital of the Company on 5 August 2004 at price ranging from approximately RMB2.03 (HK\$1.92) to approximately RMB2.17 (HK\$2.05) per share on the Stock Exchange and all of these shares were cancelled. Such purchases involved a total cash outlay of approximately RMB3,987,314 (HK\$3,765,880).

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2005.

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 80.

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	(Resigned on 1 July 2005)
Ms. Wong Hip Ying	
Mr. Fong Jao	
Mr. Chen Jun Hua	(Appointed on 17 August 2005)
Mr. Chan Chi Po, Andy	(Appointed on 17 August 2005)
Mr. Fung Chi Kin*	
Mr. Tam Ching Ho*	
Professor Lin Shun Quan*	
Madam Luan Yue Wen*	(Appointed on 20 September 2004)

* *Independent Non-executive Director*

In accordance with Article 99 of the Company's Articles of Association, Mr. Chen Jun Hua and Mr. Chan Chi Po, Andy will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 116 of the Company's Articles of Association, Ms. Wong Hip Ying, Mr. Fong Jao and Professor Lin Shun Quan 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:

Name of Director	Term of Appointment
Mr. Kwok Ho	9 years
Mr. Ip Chi Ming	5 years
Dr. Lee Yan	no fixed term
Ms. Wong Hip Ying	3 years
Mr. Fong Jao	3 years
Mr. Chen Jun Hua	no fixed term
Mr. Chan Chi Po, Andy	no fixed term

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 agreements of Ms. Wong Hip Ying and Mr. Fong Jao were commenced on 1 September 2003 and shall continue thereafter unless and until terminated by either party giving to the other not less than three months' notice in writing.

The service agreement of Dr. Lee Yan was 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.

The service agreements of Mr. Chen Jun Hua and Mr. Chan Chi Po, Andy were commenced on 17 August 2005 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 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 two-year term expiring on 30 November 2006 and 31 August 2007 respectively.

Mr. Fung Chi Kin, the Independent Non-executive Director of the Company, has entered into a letter of appointment with the Company for continuously appointed for another one-year term expiring on 31 August 2006.

Directors' Report

DIRECTORS' SERVICE AGREEMENTS *(Continued)*

Madam Luan Yue Wen, being an Independent Non-executive Director of the Company, has entered into a letter of appointment with the Company for a two-year term expiring on 19 September 2006.

The Company received confirmation of independence from all Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers all of them to be independent.

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 2005, there were 22 board meetings held by the Company. The attendance records of each of the Executive Directors are as follows:

Executive Directors	Number of board meetings attended	Attendance rate
Mr. Kwok Ho	22 out of 22	100%
Mr. Ip Chi Ming	22 out of 22	100%
Madam Chiu Na Lai <i>(Note)</i>	8 out of 8	100%
Dr. Lee Yan	17 out of 22	77%
Mr. Chan Hong <i>(Note)</i>	14 out of 22	64%
Ms. Wong Hip Ying	16 out of 22	73%
Mr. Fong Jao	17 out of 22	77%

Note: Madam Chiu Na Lai and Mr. Chan Hong resigned as Executive Directors of the Company on 20 September 2004 and 1 July 2005 respectively.

PROFILES OF DIRECTORS AND SENIOR EXECUTIVES

Profiles of Directors and Senior Executives of the Group are set out on pages 13 to 16.

Directors' Report

DIRECTORS' REMUNERATION

Details of the directors' remuneration of the Company are set out in note 15 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2005, 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	Number of ordinary shares			Total	Percentage of issued share capital recorded in the register
	Personal interests	Family interests	Corporate interests		
Mr. Kwok Ho	—	—	828,240,000 (Note 1)	828,240,000	35.16% (Note 3)
Mr. Ip Chi Ming	—	—	34,500,000 (Notes 2 and 5)	34,500,000	1.48% (Note 3)
Mr. Chan Hong (Note 4)	1,600,000	—	—	1,600,000	0.07% (Note 3)
Ms. Wong Hip Ying	1,000,000	—	—	1,000,000	0.04% (Note 3)

Notes:

1. Held through Kailey Investment Ltd. which is wholly-owned by Mr. Kwok Ho.
2. Held through Young West Investments Ltd. which is wholly-owned by Mr. Ip Chi Ming.
3. The percentage of issued share capital (based on the issued share capital of the Company as at 30 June 2005 of 2,362,730,250 shares) held by Mr. Kwok Ho, Mr. Ip Chi Ming, Mr. Chan Hong and Ms. Wong Hip Ying were 35.05%, 1.46%, 0.07% and 0.04% respectively.
4. Mr. Chan Hong resigned as a director of the Company on 1 July 2005.
5. As at the date of this report, the total number of shares owned by Mr. Ip Chi Ming was 34,600,000 shares (being all the shares owned by Young West Investments Ltd., which is wholly-owned by Mr. Ip Chi Ming).
6. As at the date of this report, the total number of shares owned by Mr. Chan Chi Po, Andy, a director of the Company appointed on 17 August 2005, was 201,500 shares (representing approximately 0.01% of the issued share capital of the Company).

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 HK\$	Exercisable period	Number of shares in respect of options outstanding as at 30 June 2005
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
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	1,075,000
Ms. Wong Hip Ying	28/01/2003	1.58	01/07/2003 — 27/01/2013	575,000
	19/06/2003	1.08	01/07/2003 — 18/06/2013	1,100,000
Mr. Fong Jao	28/01/2003	1.58	01/07/2003 — 27/01/2013	1,600,000
	19/06/2003	1.08	01/07/2003 — 18/06/2013	1,600,000

Note: On 17 August 2005, Mr. Chen Jun Hua and Mr. Chan Chi Po, Andy ("New Directors") were appointed as directors of the Company. At the same day, options to subscribe for 3,000,000 shares of the Company were granted to each of Mr. Ip Chi Ming and New Directors respectively. As at the date of this report, the details of their share options in the Company are as follows:

Name of director	Date of grant	Exercise price HK\$	Exercisable period	Number of shares in respect of options outstanding
Mr. Ip Chi Ming	17/08/2005	3.09	17/08/2005 — 16/08/2015	3,000,000
Mr. Chen Jun Hua	19/06/2003	1.08	01/07/2003 — 18/06/2013	39,900
	28/05/2004	2.40	01/01/2005 — 27/05/2014	2,000,000
	17/08/2005	3.09	17/08/2005 — 16/08/2015	3,000,000
Mr. Chan Chi Po, Andy	19/06/2003	1.08	01/07/2004 — 18/06/2013	850,000
	28/05/2004	2.40	01/07/2005 — 27/05/2014	1,000,000
	17/08/2005	3.09	17/08/2005 — 16/08/2015	3,000,000

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 2005, 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. <i>(Note 1)</i>	Beneficial owner	828,240,000	35.33% <i>(Note 4)</i>
Value Partners Limited <i>(Notes 2 and 5)</i>	Investment manager	213,359,700	9.11% <i>(Note 4)</i>
Mr. Cheah Cheng Hye	<i>(Notes 2 and 3)</i>	212,063,700	9.05% <i>(Note 4)</i>

Notes:

1. Kailey Investment Ltd. is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially wholly-owned by Mr. Kwok Ho.
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. 1,224,000 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 2005 of 2,362,730,250 shares) held by Kailey Investment Ltd. (being 828,240,000 shares), Value Partners Limited (being 224,378,400 shares) and Mr. Cheah Cheng Hye (being 225,732,400 shares) are approximately 35.05%, 9.50% and 9.55% respectively.
5. As at 30 June 2005, Value Partners Limited is owned as to approximately 31.58% by Mr. Cheah Cheng Hye.

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' 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' Report

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 2005, 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 40 to the financial statements. The Independent Non-executive Directors of the Company had reviewed the connected transactions set out in note 40 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 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 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 fertilizers, 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.

Note: Mr. Kwok Ho holds 95% of the equity interest in Fujian Chaoda Group Limited, a limited company incorporated in the People's Republic of China ("PRC"), which holds a 95% equity interest in Fujian Chaoda Agriculture Produce Trading Company Limited.

Directors' Report

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 are as follows:

Name or Category of participant	Number of Shares in respect of Options				Date of grant	Exercisable period	Exercise price per share	Weighted average closing price
	Balance as at 1 July 2004	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2005 (Note 1)				
						HK\$	HK\$	
Directors:								
Kwok Ho	21,000,000	—	—	21,000,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	—
	21,000,000	—	—	21,000,000	28/01/2003	01/01/2004 — 27/01/2013	1.58	—
	21,000,000	—	—	21,000,000	28/01/2003	01/01/2005 — 27/01/2013	1.58	—
Lee Yan	2,100,000	—	—	2,100,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	—
	1,575,000	500,000	—	1,075,000	24/06/2003	01/07/2003 — 23/06/2013	1.09	2.80
Chan Hong (Note 5)	1,600,000	1,600,000	—	—	28/01/2003	01/07/2003 — 27/01/2013	1.58	2.98
Wong Hip Ying	1,075,000	500,000	—	575,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	2.98
	1,600,000	500,000	—	1,100,000	19/06/2003	01/07/2003 — 18/06/2013	1.08	2.98
Fong Jao	2,100,000	500,000	—	1,600,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	3.04
	1,600,000	—	—	1,600,000	19/06/2003	01/07/2003 — 18/06/2013	1.08	—

Directors' Report

SHARE OPTION SCHEME (Continued)

Name or Category of participant	Number of Shares in respect of Options				Date of grant	Exercisable period	Exercise price per share HK\$	Weighted average closing price (Note 2) HK\$
	Balance as at 1 July 2004	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2005 (Note 1)				
Employees:								
In aggregate	2,550,000	2,550,000	—	—	28/01/2003	01/07/2003 — 27/01/2013	1.58	3.02
	16,641,100	12,276,250	—	4,364,850	19/06/2003	01/07/2003 — 18/06/2013	1.08	2.91
	6,300,000	2,600,000	—	3,700,000	19/06/2003	01/07/2004 — 18/06/2013	1.08	2.73
	5,550,000	460,000	—	5,090,000	28/05/2004	01/01/2005 — 27/05/2014	2.40	3.06
	500,000	—	—	500,000	28/05/2004	01/07/2005 — 27/05/2014	2.40	—
	1,050,000	—	200,000	850,000	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	—	200,000	850,000	28/05/2004	01/01/2007 — 27/05/2014	2.40	—
Other Participants:								
In aggregate	1,050,000	1,050,000	—	—	19/06/2003	01/07/2004 — 18/06/2013	1.08	2.28
Total	109,841,100	22,536,250	400,000	86,904,850				

Notes:

- No Option has been granted or cancelled during the year ended 30 June 2005.
- 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 22,536,250 options were exercised during the year ended 30 June 2005, the weighted average closing price of the share immediately before the dates on which the options were exercised was approximately HK\$2.88.
- Since no option has been granted during the year ended 30 June 2005, the closing price immediately before the date of options granted is not applicable.
- 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.
- Mr. Chan Hong resigned as a director of the Company on 1 July 2005.

Directors' Report

RETIREMENT SCHEME ARRANGEMENT

Particulars of the Group's retirement scheme are set out in note 14 to the financial statements.

CODE OF BEST PRACTICE

The Company has complied throughout the financial year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules in force prior to 1 January 2005, which remain applicable to disclosure in annual reports in respect of accounting periods commencing before 1 January 2005 under the transitional arrangements.

MODEL CODE

The Company has adopted the Model Code as 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 as 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	41%
—	five largest suppliers combined	55%

Sales

—	the largest customer	4%
—	five largest customers combined	15%

Mr. Kwok Ho holds 95% of the equity interest in Fujian Chaoda Group Limited, a limited company incorporated in the PRC, which holds a 95% equity interest in the Group's largest supplier.

Save as disclosed above, 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.

Directors' Report

ISSUE OF 7.75% GUARANTEED SENIOR NOTES DUE 2010

Pursuant to a purchase agreement dated 1 February 2005 (the "Purchase Agreement"), the Company has conditionally agreed to issue the aggregate principal amount of US\$225 million of 7.75% Guaranteed Senior Notes due 2010 (the "Notes") to the purchasers as set out in the Purchase Agreement. The Notes have been listed on The Singapore Exchange Securities Trading Limited. The net proceeds arising from the issue of the Notes would be used to finance capital expenditures of the Company, including the expansion of its production bases, and for general corporate purposes.

Details of the Notes are set out in note 34 to the financial statements.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

During the year ended 30 June 2005, 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, 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.

On 24 January 2005, the Loan was fully repaid by the Company.

AUDIT COMMITTEE

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 2004/2005, the external auditors, the chief financial officer 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%
Madam Luan Yue Wen	2 out of 2	100%

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

There is no significant event subsequent to the balance sheet date as at 30 June 2005.

AUDITORS

The financial statements were audited jointly by Baker Tilly Hong Kong Limited and CCIF CPA Limited 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 Baker Tilly Hong Kong Limited and CCIF CPA Limited as joint auditors of the Company is to be proposed at the forthcoming annual general meeting.

Baker Tilly Hong Kong Limited, being one of the joint auditors of the Company, was appointed on 13 June 2005. PricewaterhouseCoopers was one of the joint auditors of the Company and resigned on 3 June 2003.

On behalf of the Board

Kwok Ho
Chairman

Hong Kong, 21 October 2005