

| Directors' Report

The directors herein present their report and the audited financial statement of the Company and of the Group for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. Save as disclosed in the financial statements, there were no other significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2006 is set out in note 6 to the financial statements.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 90 of this annual report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 22 to 89.

The directors do not recommend the payment of any dividend in respect of the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 27 and 28 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda where the Company continued registration as an exempted company which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively. Details of the distributable reserves of the Company are set out in note 29 to the financial statements.

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MAJOR CUSTOMERS AND SUPPLIERS

In the year under review and excluding the gain of HK\$20.5 million arising on the initial recognition of biological assets at fair value less estimated point-of-sale costs under HKAS 41, sale to the Group's five largest customers accounted for approximately 11.3% of the total sales for the year and sales to the largest customer included therein amounted to approximately 5%. Purchases from the Group's five largest suppliers accounted for approximately 8% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 3.4%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The directors of the Company during the year and up to date of this report were as follows:

Executive Directors

Mr. Duan Chuan Liang (*Chairman*)

Mr. Tsui Chi Kin

(resigned on 9 January 2006)

Mr. Chen Guo Ru

(appointed on 30 November 2005)

Non-executive directors

Mr. Chiu Shui Pui, Andrew

(resigned on 14 July 2006)

Mr. Zhao Hai Hu

Mr. Zhou Wen Zhi

Mr. Wu Jiesi

(appointed on 13 February 2006)

Independent non-executive directors

Mr. Chan Chi Shing

Mr. Chen Lizhong

Ms. Huang Shao Yun

In accordance with clause 87 of the Company's Bye-laws, Mr. Chen Guo Ru, Mr. Zhao Hai Hu and Mr. Wu Jiesi will retire at the forthcoming Annual General Meeting and Mr. Chen Guo Ru, Mr. Zhao Hai Hu and Mr. Wu Jiesi, being eligible, will offer themselves for re-election. Apart from Mr. Duan Chuan Liang, all the other directors of the Company, including the independent non-executive directors, are subject to retirement by rotation and re-election in accordance with the provisions of the Company's Bye-laws.

DIRECTORS' BIOGRAPHICAL DETAILS

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 9 of this annual report.

DIRECTORS' SERVICE CONTRACTS

The Company entered into a service contract with Mr. Wu Jiesi, a non-executive Director, for an initial term of three years (subject to the termination provisions of the service contracts, commencing from 13 February 2006). Mr. Wu is entitled to, among other things, an annual salary of HK\$60,000 and share options to subscribe for a total of 6,000,000 Shares.

As at 31 March 2006, saved for Mr. Wu's service contract, none of the Directors has entered into any service contracts with the Company or any other member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

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DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed elsewhere in the financial statements, no director had a material interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

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

As at 31 March 2006, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong ("SFO")) which had been notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Division 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transaction by Directors of Listing Companies to be notified to the Company and the Stock Exchange were as follows:

(a) Shares

Name of Director	Capacity/ Nature of interest	Number of Shares		Approximately percentage of shareholding in the Company
		Long position	Short position	
Mr. Duan Chuan Liang (Note)	Corporate	139,862,301	–	16.85%
Mr. Chen Guo Ru	Personal	6,540,000	–	0.79%
Mr. Zhou Hai Hu	Personal	1,900,000	–	0.23%
Mr. Chiu Shun Pui, Andrew	Personal	4,700,000	–	0.57%

Note: These Shares are beneficially owned by and registered in the name of Asset Full Resources Limited, a company incorporated in the British Virgin Islands, whose entire issued share capital is wholly and beneficially owned by Duan Chuan Liang, an executive director and chairman of the Company.

(b) Underlying shares

Name of Director	Capacity/ Number of interest	Nature of Shares		Approximately percentage of shareholding in the Company	
		Long position (Note)	Short position	Long position	Short position
Mr. Duan Chuan Liang	Personal	45,300,000	6,000,000	5.46%	0.72%
Mr. Wu Jiesi	Personal	6,000,000	–	0.72%	0%
Mr. Zhou Wen Zhi	Personal	1,870,000	–	0.23%	0%

Note: Options to acquire ordinary shares of the Company, further details of which are set out in the section headed "Share Option Schemes" below.

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SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 28 to the financial statements.

Pursuant to the share option scheme adopted by the Company on 6 September 2002, certain directors were granted share options. As at 31 March 2006, the interests of the directors of the Company in options to subscribe for shares in the capital of the Company under the share option scheme were as follows:

The directors have estimated the values of the share options granted during the year, calculated using the Binomial Pricing Model as at the date of grant of the options:

Name of Director	Date of grant	Number of share issuable upon exercise of options held as at 31 March 2006	Price per share to be paid on exercise of options HK\$	Approximate percentage of shareholding %
Mr. Duan Chuan Liang	1 February 2005	1,600,000	0.41	0.19
	3 January 2006	3,700,000	0.41	0.45
	7 February 2006	40,000,000	0.72	4.82
Mr. Zhou Wen Zhi	1 February 2005	870,000	0.41	0.10
	3 January 2006	1,000,000	0.41	0.12
Mr. Wu Jiesi	29 March 2006	6,000,000	1.45	0.72

The Binomial Pricing Model is a generally accepted method of valuing options, taking into account the terms and conditions upon which the options were granted.

The details of the inputs to the model are stated in note 28 to the financial statements.

Other than as disclosed in the sections headed "Directors' Interests in Shares and Underlying Shares" and "Share Option Scheme" above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executives were taken or deemed to have under the provisions of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

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DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than those disclosed in the sections headed "Directors' Interests in Shares and Underlying Shares" and "Share Option Scheme" above, at no time during the year was the Company, its subsidiaries or its fellow subsidiaries a party to any arrangements to enable the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in or debt securities (including debentures) of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At the balance sheet date, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity/ Nature of interest	Number of Shares		Approximately percentage of shareholding in the Company
		Long position	Short position	
Asset Full Resources Limited	Beneficial	139,862,301	–	16.85%

Note: These Shares are beneficially owned by and registered in the name of Asset Full Resources Limited, a company incorporated in the British Virgin Islands, whose entire issued capital is wholly and beneficially owned by Duan Chuan Liang, an executive director and chairman of the Company.

Save as disclosed above, as at 31 March 2006, so far as is known to any Director or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MANAGEMENT CONTRACTS

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in note 36 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, the directors confirmed that the Company has maintained a sufficient public float throughout the year ended 31 March 2006.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 37 to the financial statements.

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AUDITORS

RSM Nelson Wheeler were the auditors of the Company for the years ended 31 March 2004 and 2005. The financial statements of the Company for those years were audited by RSM Nelson Wheeler.

Grant Thornton were appointed as the Company's auditors on 12 June 2006 to fill the casual vacancy arising from the resignation of RSM Nelson Wheeler on 10 May 2006. The financial statements of the Company for the year ended 31 March 2006 were audited by Grant Thornton, who will retire and a resolution to re-appoint Grant Thornton as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

Duan Chuan Liang

Chairman

Hong Kong, 28 July 2006