

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 2006.

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 39 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 2006 are set out in the consolidated income statement on page 39.

Dividends

The Board has recommended the payment of a final dividend of HK\$0.114 per share (approximately equivalent to RMB0.115 per share) for the year ended 30 June 2006 (2005: a final dividend of HK\$0.107 per share (approximately equivalent to RMB0.111 per share)), subject to the approval by the shareholders at the forthcoming annual general meeting to be held on 28 November 2006, to the shareholders whose names appear on the Register of Members of the Company on 28 November 2006 and payable on or before 7 December 2006.

No interim dividend was declared for the six months ended 31 December 2005 (2004: Nil).

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in note 35 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 33 to the financial statements.

Distributable Reserves

Reserves of the Company at 30 June 2006 available for distribution amounted to RMB1,764,451,000 (2005: RMB1,969,637,000).

Pre-Emptive Rights

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

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2006.

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 101.

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	
Dr. Lee Yan	
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*	
Ms. Luan Yue Wen*	

* *Independent Non-executive Director*

In accordance with Article 116 of the Company's Articles of Association, Mr. Kwok Ho will retire by rotation at the forthcoming Annual General Meeting to allow for one-third of the directors to retire and, being eligible, offer himself for re-election.

In accordance with Article 116A of the Company's Articles of Association, Mr. Fung Chi Kin and Mr. Tam Ching Ho will retire by rotation at least once for every three years at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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.

Profiles of Directors and Senior Executives

Profiles of Directors and Senior Executives of the Group are set out on pages 16 to 19.

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 2006, 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	—	—	728,240,000 <i>(Note)</i>	728,240,000	30.79%
Ms. Wong Hip Ying	1,000,000	—	—	1,000,000	0.04%
Mr. Chan Chi Po, Andy	451,500	—	—	451,500	0.02%

Note: Held through Kailey Investment Ltd. which is wholly owned by Mr. Kwok Ho.

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 2006		
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		
Mr. Ip Chi Ming	17/08/2005	3.09	17/08/2006 — 16/08/2015	600,000		
			17/08/2007 — 16/08/2015	600,000		
			17/08/2008 — 16/08/2015	600,000		
			17/08/2009 — 16/08/2015	600,000		
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
					04/11/2005	2.965
			04/11/2006 — 03/11/2015	400,000		
			04/11/2007 — 03/11/2015	400,000		
04/11/2008 — 03/11/2015	400,000	400,000				
			04/11/2009 — 03/11/2015	400,000		

Directors' and Chief Executives' Interests in Securities *(Continued)*

Long positions in underlying shares of the Company *(Continued)*

Share Options in the Company *(Continued)*

Name of director	Date of grant	Exercise price HK\$	Exercisable period	Number of shares in respect of options outstanding as at 30 June 2006
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
	04/11/2005	2.965	04/11/2005 — 03/11/2015	400,000
			04/11/2006 — 03/11/2015	400,000
			04/11/2007 — 03/11/2015	400,000
			04/11/2008 — 03/11/2015	400,000
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
	04/11/2005	2.965	04/11/2005 — 03/11/2015	400,000
			04/11/2006 — 03/11/2015	400,000
			04/11/2007 — 03/11/2015	400,000
			04/11/2008 — 03/11/2015	400,000
Mr. Chen Jun Hua	19/06/2003	1.08	01/07/2003 — 18/06/2013	39,900
		2.40	01/01/2005 — 27/05/2014	2,000,000
	17/08/2005	3.09	17/08/2005 — 16/08/2015	600,000
			17/08/2006 — 16/08/2015	600,000
			17/08/2007 — 16/08/2015	600,000
			17/08/2008 — 16/08/2015	600,000
Mr. Chan Chi Po, Andy	28/05/2004	2.40	01/07/2005 — 27/05/2014	500,000
			01/07/2006 — 27/05/2014	500,000
	17/08/2005	3.09	17/08/2005 — 16/08/2015	600,000
			17/08/2006 — 16/08/2015	600,000
			17/08/2007 — 16/08/2015	600,000
			17/08/2008 — 16/08/2015	600,000
			17/08/2009 — 16/08/2015	600,000

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.

Substantial Shareholders' Interests in Securities

As at 30 June 2006, 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	728,240,000	30.79%
Value Partners Limited <i>(Note 2)</i>	Investment manager	148,456,400	6.28%
Mr. Cheah Cheng Hye	<i>(Notes 2 and 3)</i>	149,810,400	6.33%
Janus Capital Management LLC	Investment manager	144,684,000	6.11%

Lending pools in shares of the Company

Name	Capacity	Number of ordinary shares	Percentage of issued share capital recorded in the register
State Street Corporation	<i>(Note 4)</i>	186,259,640	7.88%

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 approximately 32.77% by Mr. Cheah Cheng Hye as at 30 June 2006.
3. 1,249,000 shares were personally owned by Mr. Cheah Cheng Hye and 105,000 shares were owned by his family member.
4. 186,259,640 shares were under a lending pool controlled by State Street Bank & Trust Company, a wholly-owned subsidiary of State Street Corporation.

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' 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 2006, 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 38 to the financial statements. The Company has engaged the auditors of the Company to perform certain factual finding procedures with respect to the connected transactions for which the Stock Exchange has granted a waiver (the "Waiver") from the relevant requirements of the Listing Rules. The auditors have reported the following findings on the connected transactions to the Board of Directors:

- (a) the transactions had received the approval from the Board of Directors;
- (b) the transactions were entered into in accordance with the agreement governing such transactions; and
- (c) the transactions did not exceed 55% of the total purchase and 12% of the total turnover of the Group, being limits (the "cap") subject to which the Stock Exchange has granted the Waiver.

Pursuant to Rule 14A.37 of the Listing Rules, all Independent Non-executive Directors of the Company had reviewed the above mentioned connected transactions 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; and
- (c) the transactions have been entered into on terms fair and reasonable so far as shareholders of the Company are concerned.

The Waiver was expired on 30 June 2006. A new organic fertilizers agreement was entered on 16 June 2006 for a fixed term of 3 years with pricing to be agreed between the parties at the time when a purchase order is placed and on terms no less favourable than that available to independent third parties in compliance with Rule 14A.35 of the Listing Rules. Under the new agreement, organic fertilizers are to be purchased by the Group from Fujian Chaoda Agriculture Produce Trading Company Limited ("Fujian Chaoda Trading"). Fujian Chaoda Trading is a 95%-owned subsidiary of Fujian Chaoda Group Limited which itself is owned as to 95% by Mr. Kwok Ho, who is the Chairman and controlling shareholder of the Company. Fujian Chaoda Trading is an associate of Mr. Kwok, the meaning ascribed thereto in the Listing Rules.

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 ("Scheme Mandate"). Pursuant to a resolution passed at the extraordinary general meeting of the Company held on 14 February 2006, a refreshment of the Scheme Mandate was approved. The total number of shares to be allotted and issued pursuant to the grant or exercise of the options under the Scheme shall not exceed 10% of the total number of shares in issue as at 14 February 2006. 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.

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	Balance as at 1 July 2005	Number of Shares in respect of Options			Outstanding as at 30 June 2006 <i>(Note 1)</i>	Date of grant	Exercisable period	Exercise price per share	Weighted average closing price <i>(Note 2)</i>
		Granted during the year	Exercised during the year	Lapsed during the year					
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	—
Ip Chi Ming	—	600,000	600,000	—	—	17/08/2005	17/08/2005 — 16/08/2015	3.09	4.850
	—	600,000	—	—	600,000	17/08/2005	17/08/2006 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2007 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2008 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2009 — 16/08/2015	3.09	—
Lee Yan	2,100,000	—	—	—	2,100,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	—
	1,075,000	—	—	—	1,075,000	24/06/2003	01/07/2003 — 23/06/2013	1.09	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2005 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2006 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2007 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2008 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2009 — 03/11/2015	2.965	—
Wong Hip Ying	575,000	—	—	—	575,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	—
	1,100,000	—	—	—	1,100,000	19/06/2003	01/07/2003 — 18/06/2013	1.08	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2005 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2006 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2007 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2008 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2009 — 03/11/2015	2.965	—

Share Option Scheme *(Continued)*

Name or Category of participant	Balance as at 1 July 2005	Number of Shares in respect of Options			Outstanding as at 30 June 2006 <i>(Note 1)</i>	Date of grant	Exercisable period	Exercise price per share	Weighted average closing price
		Granted during the year	Exercised during the year	Lapsed during the year					<i>(Note 2)</i>
								HK\$	
Directors: <i>(Continued)</i>									
Fong Jao	1,600,000	—	—	—	1,600,000	28/01/2003	01/07/2003 — 27/01/2013	1.58	—
	1,600,000	—	—	—	1,600,000	19/06/2003	01/07/2003 — 18/06/2013	1.08	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2005 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2006 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2007 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2008 — 03/11/2015	2.965	—
	—	400,000	—	—	400,000	04/11/2005	04/11/2009 — 03/11/2015	2.965	—
Chen Jun Hua	39,900	—	—	—	39,900	19/06/2003	01/07/2003 — 18/06/2013	1.08	—
	2,000,000	—	—	—	2,000,000	28/05/2004	01/01/2005 — 27/05/2014	2.40	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2005 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2006 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2007 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2008 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2009 — 16/08/2015	3.09	—
Chan Chi Po, Andy	850,000	—	850,000	—	—	19/06/2003	01/07/2004 — 18/06/2013	1.08	4.765
	500,000	—	—	—	500,000	28/05/2004	01/07/2005 — 27/05/2014	2.40	—
	500,000	—	—	—	500,000	28/05/2004	01/07/2006 — 27/05/2014	2.40	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2005 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2006 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2007 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2008 — 16/08/2015	3.09	—
	—	600,000	—	—	600,000	17/08/2005	17/08/2009 — 16/08/2015	3.09	—

Share Option Scheme *(Continued)*

Name or Category of participant	Balance as at 1 July 2005	Number of Shares in respect of Options			Outstanding as at 30 June 2006 <i>(Note 1)</i>	Date of grant	Exercisable period	Exercise price per share HK\$	Weighted average closing price <i>(Note 2)</i> HK\$
		Granted during the year	Exercised during the year	Lapsed during the year					
Employees:									
In aggregate	4,324,950	—	—	—	4,324,950	19/06/2003	01/07/2003 — 18/06/2013	1.08	—
	2,850,000	—	750,000	—	2,100,000	19/06/2003	01/07/2004 — 18/06/2013	1.08	2.85
	3,090,000	—	260,000	—	2,830,000	28/05/2004	01/01/2005 — 27/05/2014	2.40	3.92
	850,000	—	250,000	50,000	550,000	28/05/2004	01/01/2006 — 27/05/2014	2.40	3.55
	850,000	—	—	50,000	800,000	28/05/2004	01/01/2007 — 27/05/2014	2.40	—
	—	400,000	110,000	—	290,000	17/08/2005	17/08/2005 — 16/08/2015	3.09	5.47
	—	1,000,000	1,000,000	—	—	17/08/2005	01/09/2005 — 16/08/2015	3.09	5.12
	—	400,000	—	—	400,000	17/08/2005	17/08/2006 — 16/08/2015	3.09	—
	—	1,400,000	—	—	1,400,000	17/08/2005	01/09/2006 — 16/08/2015	3.09	—
	—	400,000	—	—	400,000	17/08/2005	17/08/2007 — 16/08/2015	3.09	—
	—	1,400,000	—	—	1,400,000	17/08/2005	01/09/2007 — 16/08/2015	3.09	—
	—	400,000	—	—	400,000	17/08/2005	17/08/2008 — 16/08/2015	3.09	—
	—	1,400,000	—	—	1,400,000	17/08/2005	01/09/2008 — 16/08/2015	3.09	—
	—	400,000	—	—	400,000	17/08/2005	17/08/2009 — 16/08/2015	3.09	—
	—	1,400,000	—	—	1,400,000	17/08/2005	01/09/2009 — 16/08/2015	3.09	—
	—	1,400,000	—	—	1,400,000	17/08/2005	01/09/2010 — 16/08/2015	3.09	—
	—	1,552,000	112,000	—	1,440,000	01/11/2005	01/11/2005 — 31/10/2015	2.95	4.21
	—	1,552,000	—	—	1,552,000	01/11/2005	01/11/2006 — 31/10/2015	2.95	—
	—	1,552,000	—	—	1,552,000	01/11/2005	01/11/2007 — 31/10/2015	2.95	—
	—	1,552,000	—	—	1,552,000	01/11/2005	01/11/2008 — 31/10/2015	2.95	—
	—	1,552,000	—	—	1,552,000	01/11/2005	01/11/2009 — 31/10/2015	2.95	—
Total	86,904,850	32,760,000	3,932,000	100,000	115,632,850				

Share Option Scheme *(Continued)*

Employees: *(Continued)*

Notes:

1. No option has been cancelled during the year ended 30 June 2006.
2. 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 3,932,000 options were exercised during the year ended 30 June 2006, the weighted average closing price of the share immediately before the dates on which the options were exercised was approximately HK\$4.37.
3. The closing prices immediately before the date of options granted 17 August 2005, 1 November 2005 and 4 November 2005 were HK\$3.125, HK\$2.925 and HK\$3.000 respectively.
4. The above options granted are recognized as expenses in the accounts in accordance with the Company's accounting policy as set out in note 3(c) to the financial statements.

The fair values of the options granted are estimated using the Binomial Option Pricing Model. Other details, including the significant assumptions used and the measurement date, for the computation of the fair values of options are set out in note 34 to the financial statements.

The Binomial Option Pricing Model required input of subjective assumptions such as the expected stock price volatility. Change in the subjective input may materially affect the fair value estimates.

Retirement Scheme Arrangement

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

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	39%
— five largest suppliers combined	53%

Sales

— the largest customer	3%
— five largest customers combined	13%

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.

Quotation of an Associated Company on AIM of the London Stock Exchange

The issued share capital of Asian Citrus Holdings Limited (“Asian Citrus”), an associated company of the Group, was quoted on The Alternative Investment Market of the London Stock Exchange (the “Quotation”) on 3 August 2005.

The net proceeds raised by Asian Citrus were approximately RMB108 million. Asian Citrus intended to use the net proceeds from the Quotation to finance its current plans for capital expenditure and business development and to strengthen its capital base and so improve its financial position.

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.

Further information on the Company's corporate governance practices can be found in the Corporate Governance Report.

Post Balance Sheet Events

There is no significant event subsequent to the balance sheet date as at 30 June 2006.

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.

On behalf of the Board

Kwok Ho
Chairman

Hong Kong, 20 October 2006