



The directors present their annual report and the audited financial statements for the year ended 30th June, 2002.

CHANGE OF NAME

Pursuant to a resolution passed on 20th March, 2002, the name of the Company was changed from IFTA Pacific Holdings Limited to Shang Hua Holdings Limited.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 25 to the financial statements.

RESULTS

The results of the Group for the year ended 30th June, 2002 are set out in the consolidated income statement on page 17.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30th June, 2002, the five largest customers of the Group together accounted for approximately 88% of the Group's turnover and the aggregate purchases attributable to the Group's five largest suppliers were 91%. The largest customer accounted for approximately 52% of the Group's turnover and the largest supplier accounted for approximately 58% of the Group's purchases.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 10 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements during the year in the share capital and share options of the Company are set out in notes 16 and 17 to the financial statements, respectively.

DIRECTORS

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

Executive directors

Ms. Zhou Hongwen (*Chairman*)

Mr. Cheng Dongsheng (*Deputy Chairman*)

Ms. Li Wei

Mr. Sun Darui

Ms. Zhou Liping (appointed on 4th February, 2002)

Mr. Lui Shun Wa, Alexander (resigned on 30th April, 2002)

Independent non-executive directors

Mr. Tsang Link Carl, Brian

Mr. Chan Pei Cheong, Andy

Mr. Shea Chun Lok, Quadrant (appointed on 30th April, 2002)

In accordance with Clauses 91 and 99(B) of the Company's bye-laws, Ms. Zhou Hongwen and Mr. Cheng Dongsheng will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office for each non-executive director is the period up to his retirement by rotation in accordance with the above clause.

DIRECTORS' SERVICE CONTRACTS

None of the directors has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.



DIRECTOR'S INTERESTS IN SHARES

At 30th June, 2002, the interests of the directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (SDI Ordinance) was as follows:

Name of director	Personal interests	Number of ordinary shares held		
		Family interests	Corporate interests	Other interests
Mr. Lui Shun Wa, Alexander (resigned on 30th April, 2002)	3,000,000	—	—	—

Save as disclosed herein, neither the Directors nor any of their associates had any beneficial or non-beneficial interests in shares or debt securities of the Company or its associated corporations as defined in the SDI Ordinance.

SHARE OPTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 20th March, 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 22nd March, 2003. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company.

At 30th June, 2002, the number of shares in respect of which options had been granted under the Scheme was 3,000,000, representing 0.4% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the share of the Company in issue at any point in time, without prior approval from the Company's shareholders. The exercise price of the option is determined by the director of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five trading days immediate preceding the date of grant.

The following table discloses movements in the Company's share options during the year:

	Month of grant	Number of share options			At 30.6.2002
		At 1.7.2001	Exercised during the year	Lapsed during the year	
(1) <u>Director</u>					
Mr. Lui Shun Wa,	May 2000	2,000,000	–	(2,000,000)	–
Alexander (resigned on 30th April, 2002)	April 2001	6,000,000	(3,000,000)	(3,000,000)	–
Mr. Tsang Link Carl, Brian	April 2001	1,000,000	–	–	1,000,000
Total directors		9,000,000	(3,000,000)	(5,000,000)	1,000,000
(2) <u>Employee</u>					
Other employees	April 2001	2,050,000	–	(50,000)	2,000,000
Total		11,050,000	(3,000,000)	(5,050,000)	3,000,000

The average closing price of the Company's shares immediately before the date on which the options were exercise was HK\$0.22.

Details of specific categories of options are as follows:

Month of grant	Exercisable period	Exercise price per share
		HK\$
May 2000	3.11.2000 – 2.11.2002	0.5056
April 2001	23.10.2001 – 22.3.2003	0.1824



ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or the chief executive or their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

At 30th June, 2002, according to the register kept by the Company under Section 16(1) of the SDI Ordinance and so far as was known to the Directors and the chief executive of the Company, the following persons other than the Directors, directly or indirectly, were interested or taken or deemed to be interested in 10% or more of the nominal value of the issued share capital of the Company:

Name	Number of shares	Approximate percentage of issued share held
Pioneer Wealth Ltd. <i>(Note)</i>	269,545,000	34.76%

Note: The entire share capital of Pioneer Wealth Ltd. is beneficially owned by Ms. Deng Hong.

Save as disclosed herein, the Directors and the chief-executive of the Company are not aware of any person, who was, directly or indirectly, interested in 10% or more of the nominal value of issued share capital of the Company as at 30th June, 2002.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 30th June, 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Zhou Liping

Executive Director

Hong Kong, 20th September, 2002