

The directors present their annual report and the audited financial statements for the year ended 30th June, 2003.

ADOPTION OF CHINESE NAME

Pursuant to the Annual General Meeting held on 15th November, 2002, “上華控股有限公司” was adopted as the Chinese name of the Company for the purpose of registration under the Companies Ordinance in Hong Kong.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries are set out in note 23 to the financial statements.

RESULTS

The results of the Group for the year ended 30th June, 2003 are set out in the consolidated income statement on page 17.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30th June, 2003, the five largest customers of the Group together accounted for approximately 97% of the Group's turnover and the aggregate purchases attributable to the Group's five largest suppliers were 99%. The largest customer accounted for approximately 65% of the Group's turnover and the largest supplier accounted for approximately 67% of the Group's purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or 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

Details of movements during the year in the share capital of the Company are set out in note 16 to the financial statements.

DIRECTORS

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

Executive directors

Ms. Zhou Liping (*Chairman*)

Mr. Cheng Dongsheng (*Deputy Chairman*)

Mr. Sun Darui

Ms. Zhou Hongwen

(resigned on 6th January, 2003)

Ms. Li Wei

(resigned on 30th September, 2002)

Independent non-executive directors

Mr. Tsang Link Carl, Brian

Mr. Shea Chun Lok, Quadrant

Mr. Chan Pei Cheong, Andy

(resigned on 30th September, 2002)

In accordance with Clauses 91 and 99(B) of the Company's bye-laws, Mr. Sun Darui and Mr. Tsang Link Carl, Brian 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.

DIRECTOR'S INTERESTS IN SHARES

At 30th June, 2003, none of the directors or the chief executive had any interests in the equity or debt, securities of the Company or any of its associated corporations.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 22 to the financial statements.

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

Director	Month of grant	Exercisable period	Exercise price HK\$	Number of share options		
				At 1.7.2002	Lapsed during the year	At 30.6.2003
Mr. Tsang Link Carl, Brian	April 2001	23.10.2001 – 22.3.2003	0.1824	1,000,000	(1,000,000)	–

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company or its subsidiaries, a party to any arrangement to enable the directors 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 neither the directors nor the chief executive, nor any of 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company or 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.

SUBSTANTIAL SHAREHOLDERS

At 30th June, 2003, the register of substantial shareholders maintained under Section 336 of the Securities and Futures Ordinance showed that, other than the interests disclosed under the section headed "Directors' Interests in Shares" and "Share Options" in respect of certain directors, the following shareholders had an interest of 5% or more in the share capital of the Company:

Name	Number of shares	Approximate percentage of issued share held
Pioneer Wealth Ltd. (Note 1)	269,545,000	29.13%
Zest Zone Ltd. (Note 2)	150,000,000	16.21%

Note 1: The entire share capital of Pioneer Wealth Ltd. is beneficially owned by Ms. Deng Hong.

Note 2: The entire share capital of Zest Zone Ltd. is beneficially owned by Mr. Hu Dianping.

Save as disclosed above, the Company has not been notified of any other interests representing 5% or more of the Company's issued share capital at 30th June, 2003.

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, 2003 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

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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

Chairman

Hong Kong, 17th October, 2003