



REPORT OF THE DIRECTORS

The directors herein present their first report and the audited financial statements of the Company for the period from 3 April 2001 (date of incorporation) to 30 June 2002 and of the Group for the year ended 30 June 2002.

GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 3 April 2001 under the Companies Law (Revised) of the Cayman Islands. Pursuant to a reorganisation scheme (the “Group Reorganisation”) to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the companies now comprising the Group on 7 November 2001. Further details of the Group Reorganisation, together with details of the subsidiaries acquired pursuant thereto, are set out in notes 1, 15 and 22 to the financial statements, and in the Company’s prospectus dated 20 November 2001.

On 3 December 2001, the Company’s shares were listed on the Stock Exchange.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

SEGMENT INFORMATION

Details of the segment information of the Group for the year ended 30 June 2002 are set out in note 6 to the financial statements.

RESULTS AND DIVIDENDS

The Group’s profit for the year ended 30 June 2002 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 29 to 64.

RESULTS AND DIVIDENDS (Continued)

The directors recommend the payment of a final dividend of HK1 cent per ordinary share in respect of the period ended 30 June 2002, to shareholders whose names appear on the register of members on 31 October 2002. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet. Further details of this accounting treatment are set out in note 12 to the financial statements.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new ordinary shares at the time of its listing on the Stock Exchange on 3 December 2001, after deduction of related issuance expenses, amounted to approximately HK\$29 million. These proceeds were partially applied during the period ended 30 June 2002 as follows:

- as to approximately HK\$3 million to secure the distribution rights for a wider range of consumer products with focus on health food and dairy products from New Zealand;
- as to approximately HK\$4 million to expand the sales and marketing team;
- as to approximately HK\$4 million to develop bilateral trade on consumer products with the Group acting as a procurement agent for both suppliers and purchasers in the People's Republic of China (the "PRC") and overseas countries with the initial focus on importing goods from New Zealand and exporting selected PRC products to New Zealand; and
- as to approximately HK\$7 million as additional working capital of the Group.

The balance of the proceeds of approximately HK\$11 million was placed on short term deposits with financial institutions in Hong Kong as at 30 June 2002.

The actual and intended applications of the net proceeds are consistent with the plans set out in the Company's prospectus dated 20 November 2001.

SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the published consolidated/combined results and of the assets and liabilities of the Group for the years ended 30 June 1999, 2000, 2001 and 2002, prepared on the bases set out in the note below:

RESULTS

		Year ended 30 June		
	2002	2001	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	495,016	406,338	362,096	336,154
PROFIT FROM OPERATING ACTIVITIES	47,831	38,185	33,739	30,650
Finance costs	(1,076)	(171)	(124)	(118)
PROFIT BEFORE TAX	46,755	38,014	33,615	30,532
Tax	(8,347)	(6,559)	(5,440)	(4,877)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	38,408	31,455	28,175	25,655

SUMMARY OF FINANCIAL INFORMATION (CONTINUED)

ASSETS AND LIABILITIES

		At 30 June		
	2002	2001	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS	18,600	11,950	6,639	317
CURRENT ASSETS	165,229	83,807	60,507	51,354
TOTAL ASSETS	183,829	95,757	67,146	51,671
CURRENT LIABILITIES	80,456	55,094	37,938	33,285
	103,373	40,663	29,208	18,386

Note: The summary of the combined results of the Group for each of the three years ended 30 June 1999, 2000 and 2001, and of the assets and liabilities of the Group as at those dates have been extracted from the Company's prospectus dated 20 November 2001. The results of the Group for the year ended 30 June 2002 and the assets and liabilities of the Group as at that date are those set out on pages 29 and 30 of the financial statements, respectively. The summary of the consolidated/combined results, assets and liabilities of the Group includes the results, assets and liabilities of the Company and its subsidiaries as if the current structure of the Group had been in existence throughout the four years ended 30 June 1999, 2000, 2001 and 2002, and is presented on the basis set out in note 4 to the financial statements.

FIXED ASSETS

Details of the movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the period from 3 April 2001 (date of incorporation) to 30 June 2002, together with the reasons therefor, are set out in note 22 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, 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

Other than in connection with the Company's initial public offering and the listing of the Company's shares on the Stock Exchange on 3 December 2001, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

RESERVES

Details of the movements in the reserves of the Company and of the Group during the period/year are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 June 2002, the Company had distributable reserves of approximately HK\$77,228,000. Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company of approximately HK\$72,082,000 as at 30 June 2002, is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year.

Purchases from the Group's five largest suppliers and the Group's largest supplier accounted for approximately 45% and 16%, respectively, of the Group's total purchases for the year.

MAJOR CUSTOMERS AND SUPPLIERS (Continued)

None of the directors of the Company, any of their associates or 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 suppliers.

DIRECTORS

The directors of the Company during the period from 3 April 2001 (date of incorporation) to 30 June 2002 were as follows:

Executive directors

Mr. Lam Kwok Hing	(appointed on 3 April 2001)
Mr. Fong Yiu Ming, Anson	(appointed on 3 April 2001)
Mr. Chu Ki	(appointed on 3 April 2001)
Ms. Lee Choi Lin, Joecy	(appointed on 3 April 2001)
Ms. Chan Yuk, Foebe	(appointed on 13 May 2002)

Non-executive director

Mr. Lam Kwok Hung	(appointed on 7 November 2001)
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Independent non-executive directors

Mr. Mak Yiu Wah, Bilan	(appointed on 7 November 2001)
Mr. John Handley	(appointed on 7 November 2001)

In accordance with the Company's articles of association, Mr. Fong Yiu Ming, Anson, Mr. Chu Ki, Ms. Lee Choi Lin, Joecy, Ms. Chan Yuk, Foebe, Mr. Lam Kwok Hung, Mr. Mak Yiu Wah, Bilan and Mr. John Handley will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The non-executive director and each of the independent non-executive directors are currently appointed for a term of three years commencing from 7 November 2001.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 12 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing on 1 July 2001 (except for Ms. Chan Yuk, Foebe where her service contract commences on 13 May 2002), which continues thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Other than in connection with the Group Reorganisation in preparation for the Company's initial public offering, no director had a significant beneficial interest, either directly or indirectly, 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.

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 in existence during the year.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2002, the interests of the directors in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Ordinary shares of the Company

Name of director	Notes	Nature of interest	Number of ordinary shares held
Mr. Lam Kwok Hing	1	Corporate	180,000,000
Ms. Lee Choi Lin, Joecy	2	Corporate	51,000,000
Mr. Fong Yiu Ming, Anson	3	Corporate	16,000,000
Mr. Chu Ki	4	Corporate	16,000,000

Notes:

1. These shares are owned by Best Global Asia Limited ("Best Global"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of Best Global is beneficially owned by Mr. Lam Kwok Hing, the spouse of Ms. Lee Choi Lin, Joecy.
2. These shares are owned by World Invest Holdings Limited ("World Invest"), a company incorporated in the BVI. The entire issued share capital of World Invest is beneficially owned by Ms. Lee Choi Lin, Joecy, the spouse of Mr. Lam Kwok Hing.
3. These shares are owned by Eshanghai Holdings Limited ("Eshanghai"), a company incorporated in the BVI. The entire issued share capital of Eshanghai is beneficially owned by Mr. Fong Yiu Ming, Anson.
4. These shares are owned by Asia Startup Group Limited ("Asia Startup"), a company incorporated in the BVI. The entire issued share capital of Asia Startup is beneficially owned by Mr. Chu Ki.

Save as disclosed above, none of the directors, chief executive or their associates had any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "SO Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the SO Scheme include the Company's directors, including non-executive and independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons or entities providing research, development or other technological support to the Group, any minority shareholder in the Company's subsidiaries, and other groups or classes of participants as determined by the directors. The SO Scheme became effective on 3 December 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the SO Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the SO Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

SHARE OPTION SCHEME (Continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the SO Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the SO Scheme during the period from 3 December 2001 to 30 June 2002:

Name or category of participant	Number of share options				Date of grant of share options*	Exercise period of share options	Exercise	Price of
	At	Granted	Exercised	At			price	Company's
	3 December	during	during	30 June			of share	shares
	2001	the period	the period	2002			options**	at grant
							options***	date of
							HK\$	options*** HK\$
Non-executive director								
Mr. Lam Kwok Hung	–	500,000	–	500,000	30 April 2002	1 May 2002	0.335	0.330
						to 30 April 2012		
	–	500,000	–	500,000				
Independent non-executive directors								
Mr. Mak Yiu Wah, Bilan	–	500,000	–	500,000	30 April 2002	1 May 2002	0.335	0.330
						to 30 April 2012		
Mr. John Handley	–	500,000	–	500,000	30 April 2002	1 May 2002	0.335	0.330
						to 30 April 2012		
	–	1,000,000	–	1,000,000				
	–	1,500,000	–	1,500,000				

SHARE OPTION SCHEME (Continued)

- * The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- ** The exercise price of the share options is subject to adjustment in the case of a capitalisation issue, rights issue, sub-division or consolidation of the Company's shares or reduction of the Company's share capital.
- *** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange's closing price on the trading day immediately prior to the date of the grant of the share options.

Summary details of the Company's SO Scheme are also set out in note 22 to the financial statements.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the share options are exercised, and no charge is recorded in the profit and loss account or the balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which are cancelled prior to their exercise dates are deleted from the register of outstanding share options.

The directors do not consider it appropriate to disclose a theoretical value of the share options granted during the period from 3 December 2001 to 30 June 2002, because in the absence of a readily market value of the share options on the ordinary shares of the Company, the directors were unable to arrive at an assessment of the value of these share options.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2002, the following interests of 10% 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 16(1) of the SDI Ordinance.

Name	Number of ordinary shares held	Percentage of the issued share capital of the Company
Best Global	180,000,000#	36.0
World Invest	51,000,000#	10.2

These shareholdings are duplicated in the disclosure under the heading "Directors' interests in shares" above.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to date of this report, no directors of the Company are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), other than those businesses of which the directors of the Company have been appointed as directors to represent the interests of the Company and/or the Group.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 27 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules, since the listing of the Company’s shares on the Stock Exchange on 3 December 2001.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lam Kwok Hing

Chairman

Hong Kong

20 September 2002