

DIRECTORS' REPORT

The directors herein present their report together with the audited financial statements of the Group and of the Company for the year ended 30 June 2003.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance by business and geographical segments for the year ended 30 June 2003 is set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2003 and the state of the Group's and the Company's affairs at that date are set out in the financial statements on pages 23 to 58.

The directors have declared an interim dividend of HK\$0.01 per ordinary share, totalling HK\$6,005,000, which was paid on 21 May 2003.

The directors recommend the payment of a final dividend of HK\$0.015 per ordinary share, totalling HK\$9,007,500 in respect of the year ended 30 June 2003, to shareholders whose names appear on the register of members on 18 November 2003. 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.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 26 and note 26(b) to the financial statements respectively.

DIRECTORS' REPORT

FIVE YEAR FINANCIAL INFORMATION

The following is a summary of the published consolidated/combined results and of the assets and liabilities of the Group for the last five financial years, prepared on the bases set out in the notes below:

Results

	Year ended 30 June				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
TURNOVER	553,252	495,016	406,338	362,096	336,154
OPERATING PROFIT	48,687	47,831	38,185	33,739	30,650
Finance costs	(2,027)	(1,076)	(171)	(124)	(118)
PROFIT BEFORE TAXATION	46,660	46,755	38,014	33,615	30,532
Taxation	(32)	(8,347)	(6,559)	(5,440)	(4,877)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	46,628	38,408	31,455	28,175	25,655

Assets and liabilities

	As at 30 June				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS	63,797	18,600	11,950	6,639	317
CURRENT ASSETS	216,362	165,229	83,807	60,507	51,354
TOTAL ASSETS	280,159	183,829	95,757	67,146	51,671
CURRENT LIABILITIES	72,165	80,456	55,094	37,938	33,285
NON-CURRENT LIABILITIES	12,478	—	—	—	—
TOTAL LIABILITIES	84,643	80,456	55,094	37,938	33,285
SHAREHOLDERS' FUNDS	195,516	103,373	40,663	29,208	18,386

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FIVE YEAR FINANCIAL INFORMATION *(Continued)*

Notes:

1. The results for the years ended 30 June 2001, 2000 and 1999 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.
2. Pursuant to the group reorganisation on 3 December 2001, the financial statements have been reflected in the above five year financial summary as if the current structure of the Group had been in existence from the earliest period presented.

FIXED ASSETS

Details of the movements in the fixed assets of the Group are set out in note 15 to the financial statements.

CONSTRUCTION IN PROGRESS

Details of the movements in construction in progress of the Group are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 25 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 June 2003, the Company had distributable reserves of approximately HK\$170,833,000. Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company of approximately HK\$127,602,000 as at 30 June 2003, 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.

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, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the year. Neither the Company, nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

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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 56% and 25%, respectively, of the Group's total purchases for the year.

None of the directors, 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 an interest in the major customers or suppliers noted above.

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors

Mr. Lam Kwok Hing
Mr. Fong Yiu Ming, Anson
Mr. Chu Ki
Ms. Lee Choi Lin, Joecy
Ms. Chan Yuk, Foebé

Non-executive director

Mr. Lam Kwok Hung

Independent non-executive directors

Mr. Mak Yiu Wah, Bilan
Mr. John Handley

In accordance with the Company's articles of association, 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 appointed for a term of three years commencing from 7 November 2001.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors of the Company and senior management of the Group are set out on pages 12 to 13 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 commenced 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

No contracts of significance in relation to the Group's business 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.

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' REPORT

DIRECTORS' INTERESTS AND SHORT POSITIONS IN EQUITY OR DEBT SECURITIES

At 30 June 2003, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO, or as notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Ordinary shares of HK\$0.01 each in 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:

- 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.
- 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.
- 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.
- 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.

The interests of the directors in the share options of the Company are disclosed in note 25 to the financial statements, 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 SFO.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save 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

Details of the Company's share option scheme are set out in note 25 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2003, the registrar of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Name	Notes	Number of ordinary shares held	Percentage of the issued share capital of the Company
Best Global	1	180,000,000	30.0%
World Invest	2	51,000,000	8.5%
Info Plus Limited		40,000,000	6.7%
Enormous Happy Limited		32,000,000	5.3%

Notes:

1. The entire issued capital of Best Global is beneficially owned by Mr. Lam Kwok Hing, an executive director.
2. The entire issued share capital of World Invest is beneficially owned by Ms. Lee Choi Lin, Joecy, an executive director.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the 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.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

During the year and up to the date of this report, no connected transactions were entered into between the Company or any of its subsidiaries and a connected person as defined under the Listing Rules.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, throughout the year.

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

On 12 August 2003, Ernst & Young resigned as the Company's auditors and RSM Nelson Wheeler were appointed by the directors as auditors of the Company to fill the causal vacancy so arising. A resolution to re-appoint the retiring auditors, RSM Nelson Wheeler, will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

LAM KWOK HING

Chairman

Hong Kong
9 October 2003