

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 17 to the financial statements. There were no changes in the nature of the subsidiaries' principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 June 2003 and the state of affairs of the Company and the Group at that date are set out in the accompanying financial statements on pages 24 to 63.

The directors recommend the payment of a final dividend of HK\$8 cents per share of HK\$0.10 (which shall be HK\$2 cents per subdivided share of HK\$0.025 after the subdivision of shares of the Company on 28 October 2003) in respect of the year to the shareholders on the register of members on 18 December 2003. This recommendation has been incorporated in the financial statements.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 12 December 2003 to Thursday, 18 December 2003 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed final dividend for the year and for attending the Annual General Meeting of the Company to be held on Thursday, 18 December 2003, all share transfers accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 11 December 2003.

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SUMMARY FINANCIAL INFORMATION

Results

Year ended 30 June

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Turnover	992,961	715,717	409,633	353,116	204,027
Profit before tax	235,509	174,957	108,729	92,969	51,433
Tax	(52,682)	(36,395)	(14,321)	(11,308)	(4,000)
Profit before minority interests	182,827	138,562	94,408	81,661	47,433
Minority interests	(7,787)	(3,823)	133	–	–
Net profit from ordinary activities attributable to shareholders	175,040	134,739	94,541	81,661	47,433

Assets and liabilities

As at 30 June

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Non-current assets	337,396	144,788	123,558	25,229	11,424
Current assets	958,033	690,830	223,055	123,682	118,120
Total assets	1,295,429	835,618	346,613	148,911	129,544
Current liabilities	(142,794)	(134,729)	(56,185)	(50,990)	(74,561)
Long term liabilities	(265,200)	–	–	–	–
Minority interests	(22,185)	(5,032)	(1,199)	–	–
	865,250	695,857	289,229	97,921	54,983

Notes:

1. The assets and liabilities of the Group for the year ended 30 June 2001 have been restated to reflect the changes in accounting policy of the Group on the treatment of dividends proposed after the balance sheet date following the adoption of SSAP 9 (revised).
2. The summary of the combined results for the year ended 30 June 1999 has been extracted from the Company's prospectus dated 11 August 2000. The results of the Group for each of the two years ended 30 June 2003 are those set out on page 24 of the financial statements. The summary of the combined results of the Group for the two years ended 30 June 2000 includes the results of the Company and its subsidiaries as if the current structure of the Group had been in existence throughout these financial years.
3. The combined balance sheets of the Group as at 30 June 1999 and 2000 are extracted from the published pro forma financial statements of the Group for the year ended 30 June 2000 and were prepared on the basis as if the Group had been in existence as at 30 June 1999 and 2000.

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FIXED ASSETS

Details of the movements in the fixed assets of the Group are set out in note 13 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 17 to the financial statements.

JOINTLY-CONTROLLED ENTITY

Particulars of the Company's interest in a jointly-controlled entity are set out in note 16 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of the movements in the Company's share capital, share options and warrants during the year together with the reasons therefor, are set out in note 26 to the financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements.

DISTRIBUTABLE RESERVES

As at 30 June 2003, the Company had distributable reserves of approximately HK\$44,350,000. Under the Company's memorandum and articles of association and the Companies Law (2001 Revision) of the Cayman Islands, the capital reserve and share premium of the Company of approximately HK\$104,915,000 and HK\$323,597,000, respectively, at 30 June 2003 are 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 they fall due in the ordinary course of business.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

Approximately 9.9% of the Group's total turnover for the year was attributable to the Group's five largest customers. Turnover from the Group's largest customer accounted for approximately 2.87% of the Group's turnover for the year.

In addition, approximately 61.67% of the Group's total purchases for the year was attributable to the Group's five largest suppliers. Purchases from the Group's largest supplier accounted for approximately 18.61% of the Group's purchases for the year.

As far as the directors are aware, other than Mr. Chen Ching Ken, an executive director of the Company, who is the sole shareholder of 福州德勝印刷有限公司, one of the Group's top five suppliers for the year ended 30 June 2003, none of the directors, their associates, and those shareholders who to the knowledge of the directors owned more than 5% of the Company's issued share capital had any beneficial interest in the Group's five largest customers and/or suppliers mentioned in the preceding paragraphs.

Details of the transactions with 福州德勝印刷有限公司 are set out in note 29 to the financial statements.

DIRECTORS

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

Executive directors:

Mr. Cai Chong Zhen
Mr. Chen Ching Ken
Mr. Tso Ming Sing, Barton (Appointed on 17 December 2002)
Mr. Cai Cong Yi
Mr. Wong Sui Kwong
Mr. Chen Wei

Independent non-executive directors:

Ms. Hu Ling Po
Mr. Yu Er Feng

In accordance with articles 86 and 87 of the Company's articles of association, Mr. Tso Ming Sing, Barton, Ms. Hu Ling Po and Mr. Yu Er Feng will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the independent non-executive directors, but excluding the chairman, Mr. Cai Chong Zhen, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

REPORT OF THE DIRECTORS

BIOGRAPHIES 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 10 to 11 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 (except for Mr. Wong Sui Kwong where his service contract has a term of two years), and which may be terminated by either party thereto by giving to the other six months' prior notice in writing and which notice period shall not expire at any time during the first year.

Apart from the foregoing, 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 other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 29 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

Details of the remuneration of the directors of the Company and of the five highest paid individuals of the Group during the year ended 30 June 2003 are set out in note 6 to the financial statements.

RETIREMENT SCHEME

Details of the retirement scheme and the related contributions of the Group for the year are set out in notes 12 and 5 to the financial statements, respectively.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN THE SHARES

As at 30 June 2003, the interests of the directors of the Company in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which were recorded in the register required to be kept by the Company under Section 352 of the SFO; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

I. Ordinary shares of the Company

Name of director	Long/short position	Capacity	Number of ordinary shares of the Company interested	Approximate Percentage of shareholding
Mr. Cai Chong Zhen	Long	Beneficiary of a discretionary trust	255,800,000 (Note)	50.26%
Mr. Chen Ching Ken	Long	Founder of a discretionary trust	255,800,000 (Note)	50.26%

Note: These shares were held by Great Wall Investment Group Limited as the trustee of The Great Wall Unit Trust, a unit trust of which all of the units in issue are owned by Ansbacher (BVI) Limited in its capacity as the trustee of The C&C Trust, a discretionary family trust of which the objects include Mr. Cai Chong Zhen and his spouse and the family member of Mr. Chen Ching Ken.

Accordingly, Mr. Chen Ching Ken, as founder of The C&C Trust, and Mr. Cai Chong Zhen, as one of the discretionary objects of The C&C Trust, were deemed to be interested in the shares owned by Great Wall Investment Group Limited in its capacity as the trustee of The Great Wall Unit Trust under Part XV of the SFO.

II. Underlying shares of the Company

Name of director	Long/short position	Capacity	Number of underlying shares under the share options granted by the Company
Mr. Cai Chong Zhen	Long	Beneficial owner	8,500,000
Mr. Cai Cong Yi	Long	Beneficial owner	8,500,000
Mr. Wong Sui Kwong	Long	Beneficial owner	8,000,000

In addition, Mr. Cai Cong Yi is holding a share in a subsidiary of the Company, in a non-beneficial capacity which is solely for the purpose of complying with minimum company membership requirements.

Save as disclosed above, none of the directors or the chief executives of the Company had, as at 30 June 2003, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Share options" below at no time during the year were rights to acquire benefits by means of the acquisition of securities 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 Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTIONS

Pursuant to a share option scheme adopted by the Company on 26 July 2000 (the "Original Share Option Scheme"), the board of directors may on or before 25 July 2010, at its discretion invite any full-time employees, including executive directors of the Company or any of its subsidiaries, to take up options to subscribe for ordinary shares in the Company (the "Shares") as incentives or rewards to the eligible employees. The subscription price should not be less than the higher of (i) 80% of the average of the official closing prices of the Shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the option and (ii) the nominal value of the Shares.

The maximum number of Shares in respect of which options may be granted under the Original Share Option Scheme may not exceed, in nominal amount, 10% of the issued share capital of the Company from time to time excluding the aggregate number of Shares which have been duly allotted and issued pursuant to the Original Share Option Scheme. The maximum number of Shares in respect of which options may be granted to any one employee or director under the Original Share Option Scheme may not exceed 25% of the aggregate number of Shares in respect of which options are issued and issuable under the Original Share Option Scheme.

As at 30 June 2003, the number of shares available for issue under the Original Share Option Scheme was 25,000,000, which represented approximately 4.9% of the Company's shares in issue as at 30 June 2003.

The offer of a grant of share options under the Original Share Option Scheme may be accepted within 30 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 under the Original Share Option Scheme commences from the date of grant of the share options and ends on a date which is not later than 10 years from the date of grant of the share options.

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SHARE OPTIONS (Continued)

The information of the share options under the Original Share Option Scheme as required to be disclosed pursuant to Rule 17.07 of the Listing Rules is as follows:

Name of category of participant	Date of grant	Exercise period	Exercise price per share HK\$	Balance at 1/7/2002	Granted during the year	Exercised/ Cancelled/ Lapsed during the year	Balance at 30/6/2003
Directors							
Mr Cai Cong Yi	19/1/2001	19/1/2001 to 18/1/2011	0.652	1,000,000	-	-	1,000,000
	27/3/2001	27/3/2001 to 26/3/2011	0.7696	7,500,000	-	-	7,500,000
Mr Cai Chong Zhen	19/1/2001	19/1/2001 to 18/1/2011	0.652	3,000,000	-	-	3,000,000
	27/3/2001	27/3/2001 to 26/3/2011	0.7696	5,500,000	-	-	5,500,000
Mr Wong Sui Kwong	27/3/2001	27/3/2001 to 26/3/2011	0.7696	8,000,000	-	-	8,000,000
				<u>25,000,000</u>	<u>-</u>	<u>-</u>	<u>25,000,000</u>

On 23 August 2001, the Stock Exchange has announced amendments to Chapter 17 of the Listing Rules in respect of share option schemes, which has come into effect on 1 September 2001. In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange, the directors consider that it is in the interest of the Company to terminate the Original Share Option Scheme and to adopt a new share option scheme (the "New Share Option Scheme"). An ordinary resolution was passed at the Company's annual general meeting held on 29 November 2001 for the approval of the New Share Option Scheme and termination of the Original Share Option Scheme.

The New Share Option Scheme shall be valid and effective until 29 November 2011.

The purpose of the New Share Option Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any invested entity in which the Group holds any equity interest.

Pursuant to the New Share Option Scheme, the board of directors may, at its discretion invite any eligible employees (including executive directors), any non-executive directors, shareholders, suppliers and customers of the Group and any other parties having contributed or may contribute to the development of the Group to take up options to subscribe for Shares. The subscription price shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of the Shares on the date of the offer; (ii) the average closing price of the Shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of a Share.

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SHARE OPTIONS (Continued)

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other scheme must not exceed 30% of the total issued share capital of the Company from time to time. The total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at 29 April 2002. The Company may seek approval of the Company's shareholders in general meeting for refreshing the 10% limit under the New Share Option Scheme save that the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme under the limit as "refreshed" shall not exceed 10% of the total number of Shares in issue as at the date of approval of the limit.

At 30 June 2003, the number of shares available for issue under the New Share Option Scheme was 70,409,000, which represented approximately 13.8% of the Company's shares in issue as at 30 June 2003.

The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. Where any further grant of options to a participant would result in the total number of Shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of Shares in issue, such further grant must be separately approved by the shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

The offer of a grant of share option under the New Share Option Scheme may be accepted within 28 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 under the New Share Option Scheme commences from the date of offer of the share options and ends on a date which is not later than 10 years from the date of the offer of the share options.

All options granted under the Original Share Option Scheme and outstanding prior to the termination of the Original Share Option Scheme shall continue to be valid and exercisable in accordance therewith.

The information of the share options under the New Share Option Scheme as required to be disclosed pursuant to Rule 17.07 of the Listing Rules is as follows:-

Name of category of participant	Date of grant	Exercise period	Exercise price per share HK\$	Balance at 1/7/2002	Granted during the year	Exercised/ Cancelled/ Lapsed during the year	Balance at 30/6/2003
Employees	21/1/2002	9/1/2002 to 8/1/2012	2.185	27,000,000	-	-	27,000,000
				<u>27,000,000</u>	<u>-</u>	<u>-</u>	<u>27,000,000</u>

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to date of this report, no directors 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, pursuant to 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 were appointed as directors to represent the interest of the Company and/or the Group.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, the following interests in the shares and underlying shares of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholder	Long/short position	Capacity	Number of ordinary shares/ underlying shares of the Company interested	Note	Approximate percentage of shareholding
Great Wall Investment Group Limited	Long	Trustee	255,800,000	1	50.26%
Ansbacher (BVI) Limited	Long	Trustee	255,800,000	1	50.26%
Ms. Chen Lin Mei Mei	Long	Interest of spouse	255,800,000	2	50.26%
Ms. Zhang Xiuqiong	Long	Interest of spouse	264,300,000	3	51.93%
Value Partners Limited	Long	Investment manager	34,464,000	4	6.77%
Mr. Cheah Cheng Hye	Long	Interest in corporation	34,464,000	4	6.77%

Notes:

- Such interest was also disclosed as the interest of Mr. Cai Chong Zhen and Mr. Chen Ching Ken in the above section headed "Directors' interests in the shares".
- Ms. Chen Lin Mei Mei was deemed to be interested in the 255,800,000 shares of the Company through interests of her spouse, Mr. Chen Ching Ken.
- Ms. Zhang Xiuqiong was deemed to be interested in the 255,800,000 shares of the Company through interests of her spouse, Mr. Cai Chong Zhen.
- Mr. Cheah Cheng Hye was deemed to be interested in the 34,464,000 shares of the Company which were held through Value Partners Limited, a corporation controlled by Mr. Cheah Cheng Hye.

Save as disclosed above, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' interests in the shares" above, had registered an interest or a short position in the shares and underlying shares of the Company as at 30 June 2003 as recorded in the register required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTIONS

Details of the connected transactions that are required to be disclosed for the year are set out in note 29 to the financial statements. Save as disclosed therein, there were no other transactions which would need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

The independent non-executive directors are of the opinion that the terms of the above transactions are fair and reasonable so far as the shareholders of the Company are concerned; and that the transactions have been entered into by the Group in its ordinary and usual course of business and were carried out in accordance with the terms of the agreements governing such transactions.

REPORT OF THE DIRECTORS

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

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 which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

AUDIT COMMITTEE

To comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company set up an Audit Committee (the "Committee") on 26 July 2000 with written terms of reference. The Committee comprises two independent non-executive directors of the Company, namely Ms. Hu Ling Po and Mr. Yu Er Feng.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by this annual report except that the independent non-executive directors are not appointed for any specific term of office but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

AUDITORS

Charles Chan, Ip & Fung CPA Ltd. will 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

Cai Chong Zhen

Chairman

Hong Kong, 27 October 2003