

Report of the Directors

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2000.

CHANGE OF NAME

Pursuant to a special resolution passed by the shareholders in an extraordinary general meeting on 21 July 2000 and in order to reflect the diversification of the Group's business into the area of supply chain and logistics technology market, the Company changed its name from Wah Yik Holdings Company Limited to Asia Logistics Technologies Limited. The certificate of incorporation on change of name, issued by the Registrar of Companies in the Cayman Islands on 31 July 2000, certified that the Company's name was changed and registered with effect from 31 July 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. Other than the diversification of the Group's business into the area of supply chain and logistics technology market, there were no changes in the nature of the Group's principal activities during the year.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to loss before tax by principal activity and geographical area for the year ended 31 December 2000 is as follows:

	Turnover HK\$'000	Contribution to loss before tax HK\$'000
By principal activity:		
Bowling recreation business	10,019	8,003
Logistics technology business	—	9,502
	<u>10,019</u>	<u>17,505</u>
By geographical area:		
The People's Republic of China (the "PRC")		
Hong Kong	—	9,502
Elsewhere	10,019	8,003
	<u>10,019</u>	<u>17,505</u>

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RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2000 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 20 to 53.

The Directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and the Company's prospectus dated 25 September 1998, is set out on page 54 of the annual report.

FIXED ASSETS AND INVESTMENT PROPERTY

Details of movements in the fixed assets of the Company and the Group and the investment property of the Group are set out in notes 11 and 12 to the financial statements, respectively.

DEPOSITS PAID FOR INVESTMENT PROPERTIES

Details of the deposits paid for investment properties of the Group are set out in note 13 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 15 to the financial statements.

BANK LOANS

Details of the bank loans of the Group are set out in note 18 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefore, are set out in note 20 to the financial statements.

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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 existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year and details of the distributable reserves of the Company are set out in note 21 to the financial statements.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$10,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 10% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 49% of the total purchases for the year and purchases from the largest supplier included therein amounted to 17%.

None of the directors of the Company, or any of 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 any beneficial interest in the Group's five largest customers or five largest suppliers during the year.

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DIRECTORS

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

Executive directors:

Mr. Lo Lin Shing, Simon*	
Mr. Chan Ki	<i>(appointed on 14 June 2000)</i>
Mr. Wu Wing Kin	<i>(appointed on 29 November 2000)</i>
Mr. Zhang Guo Liang	<i>(appointed on 14 June 2000 and resigned on 29 March 2001)</i>
Mr. Hui Mang Mang	
Mr. Hung Fan Wai, Wilfred**	
Dr. Chan Kwok Keung, Charles	<i>(appointed on 28 January 2000 and resigned on 9 December 2000)</i>
Mr. Chan Kwok Hung	<i>(appointed on 28 January 2000 and resigned on 9 December 2000)</i>
Mr. Tsai Hung Ching	<i>(resigned on 4 May 2000)</i>
Mr. Xu Jian Biao	<i>(resigned on 29 June 2000)</i>

Non-executive directors:

Mr. Ho Hau Chong, Norman	<i>(appointed on 29 November 2000)</i>
Mr. Hung Fan Wai, Wilfred**	

Independent non-executive directors:

Mr. Lo Lin Shing, Simon*	<i>(appointed on 28 March 2000)</i>
Mr. To Hin Tsun, Gerald	<i>(appointed on 28 March 2000)</i>
Mr. Wei Chi Kuan, Kenny	<i>(appointed on 25 July 2000)</i>
Mr. Sze Chi Ching	<i>(resigned on 28 March 2000)</i>
Ms. Ding Lan	<i>(resigned on 28 March 2000)</i>

* Mr. Lo Lin Shing, Simon, who was appointed as an independent non-executive director on 28 March 2000, was subsequently redesignated as an executive director of the Company with effect from 25 July 2000.

** Mr. Hung Fan Wai, Wilfred, who was formerly an executive director of the Company, was redesignated as a non-executive director of the Company with effect from 29 June 2000.

In accordance with articles 99 and 116 of the Company's articles of association, Mr. Chan Ki, Mr. Wu Wing Kin, Mr. Ho Hau Chong, Norman, Mr. Wei Chi Kuan, Kenny and Mr. Hui Mang Mang will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. The non-executive directors do not have specific terms of appointment, but are subject to the retirement provisions contained in the Company's articles of association.

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DIRECTORS BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 10 to 11 of the annual report.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments of the directors and of the five highest paid employees are set out in notes 6 and 7 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

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 25 to the financial statements, no director had a material interest 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.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2000, the interests of certain directors and their associates 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 (the "SDI Ordinance"), were as follows:

Director	Number of ordinary shares held	
	Corporate interests	Other interests
Mr. Lo Lin Shing, Simon (<i>Note (a)</i>)	902,522,000	—
Mr. Chan Ki (<i>Note (b)</i>)	300,000,000	—

Notes:

- (a) These shares are beneficially owned by Golden Infinity Co., Ltd., a company incorporated in the British Virgin Islands whose entire issued share capital is legally and beneficially owned by Mr. Lo Lin Shing, Simon.
- (b) These shares are beneficially owned by Silver Valley Limited, a company incorporated in the British Virgin Islands whose entire issued share capital is legally and beneficially owned by Mr. Chan Ki.

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

Report of the Directors**DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Under the terms of a share option scheme adopted by the Company on 11 September 1998, the directors of the Company may, at their absolute discretion, grant options to eligible employees of the Group, including executive directors, to subscribe for shares of the Company. The maximum number of shares in respect of which options may be granted under the share option scheme cannot exceed 10% of the issued share capital of the Company which has been duly allotted and issued. Further details of the share option scheme are set out in note 20 to the financial statements.

Pursuant to the Company's share option scheme, the Company granted options on the Company's ordinary shares in favour of certain directors during the year, the details of which are as follows:

Name of director/ former director	Number of share options granted during the year	Number of share options exercised during the year	Number of share options lapsed during the year	Number of share options outstanding at 31 December 2000	Exercise price	Exercise period
Mr. Lo Lin Shing, Simon	57,000,000	-	-	57,000,000	HK\$0.284	15 August 2000 to 14 August 2003
Mr. Chan Ki	57,000,000	-	-	57,000,000	HK\$0.284	15 August 2000 to 14 August 2003
Mr. Chan Kwok Keung, Charles	53,000,000	-	53,000,000	-	HK\$0.245	2 June 2000 to 1 June 2003
	10,000,000	-	10,000,000	-	HK\$0.284	15 August 2000 to 14 August 2003
Mr. Chan Kwok Hung	53,000,000	-	53,000,000	-	HK\$0.245	2 June 2000 to 1 June 2003
	<u>230,000,000</u>	<u>-</u>	<u>116,000,000</u>	<u>114,000,000</u>		

Save as disclosed above, 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; nor 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.

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SUBSTANTIAL SHAREHOLDERS

Other than the shares held by Golden Infinity Co., Ltd. and Silver Valley Limited, as disclosed in the section headed “Directors’ interests in shares” above, which represented approximately 35.03% and 11.64%, respectively, of the Company’s issued share capital at the balance sheet date, no other person had registered an interest of 10% or more in the issued share capital of the Company that was required to be recorded in the register of interests pursuant to Section 16(1) of the SDI Ordinance.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 24 to the financial statements.

PENSION SCHEMES

Details of the pension schemes of the Group and the employer’s pension costs charged to the profit and loss account for the year are set out in notes 2 and 4 to the financial statements, respectively.

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 Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms but are subject to the retirement provisions contained in the Company’s articles of association. The Company established an audit committee in accordance with paragraph 14 of the Code of Best Practice in 1999.

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

Lo Lin Shing, Simon
Chairman

Hong Kong, 6 April 2001