

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries and associates are set out in notes 14 and 15 to the financial statements respectively.

TURNOVER AND CONTRIBUTION BY SEGMENT

The Group's turnover and contribution to profit from operations analysed by principal activities are set out in note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2001 are set out in the consolidated income statement on page 14.

An interim dividend of HK\$0.05 per share amounting to HK\$119,896,000 was paid to the shareholders during the year. The directors now recommend the payment of final dividend of HK\$0.06 per share to the shareholders whose names appear on the register of members on 7 August 2001, amounting to HK\$143,875,000, and the retention of the remaining profit for the year of HK\$5,227,000.

PROPERTY, PLANT AND EQUIPMENT

All of the Group's land and buildings were revalued at 31 March 2001. The revaluation resulted in a deficit as compared with book values amounting to HK\$404,620,000, of which HK\$372,544,000 and HK\$32,076,000 have been charged to the properties revaluation reserves and to the income statement respectively.

Details of these and other movements during the year in the property, plant and equipment of the Group and of the Company are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 21 to the financial statements.

RESERVES

Details of the movements during the year in the reserves of the Group and of the Company are set out in note 22 to the financial statements.

DIRECTORS

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

Executive directors

Mr. Shun-choi LAM, Chairman

Mr. Shun-chuen LAM, Vice-Chairman

Mr. Cheuk-wa SHAM

(appointed on 25 April 2000)

Mr. Tin-chi LAU

(resigned on 25 April 2000)

Independent non-executive directors

Mr. Siu-leun CHAM, O.B.E., J.P.

Mr. Ping-wing PAO, J.P.

Mr. Dominic LAI

Under the Company's Articles of Association, Messrs. Siu-leun CHAM and Dominic LAI shall retire from office by rotation in accordance with Article 103 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 Company's Articles of Association.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

At 31 March 2001, the interests of the directors and the chief executive of the Company 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 ("SDI Ordinance") of the Company were as follows:

<u>Name of director</u>	<u>Number of shares held</u>				<u>Total</u>
	<u>Personal interests</u>	<u>Family interests</u>	<u>Corporate Interests</u>	<u>Other interests</u>	
Mr. Shun-choi LAM	-	24,000	-	-	24,000
Mr. Siu-leun CHAM	165,000	-	-	-	165,000

Save as disclosed herein, none of the directors or the chief executive, nor any of their associates, had any interests in any shares of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 31 to the financial statements, there were no contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had, whether directly or indirectly, a material interest subsisting at the end of the year or at any time during the year.

None of the directors has a service contract with the Company or any of its subsidiaries not terminable by the employing company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangements 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 none of the directors, nor any of their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

PURCHASE, SALE OR REDEMPTION OF SHARES IN THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the shares in the Company.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2001, so far as the directors were aware, those persons or corporations who, directly or indirectly, were interested in 10% or more of the nominal value of the issued share capital of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance were as follows:

Name of shareholder	Number of shares held		Shareholding — percentage
	Direct interest	Indirect interest	
Madam Wei-chen LAM	-	1,562,615,880	65.2
Ever Holdings Limited	84,281,880	1,478,334,000	65.2
Tarbela Company Limited	681,037,500	-	28.4
Tarboca Company Limited	549,284,100	-	22.9
Sermost Limited	248,012,400	-	10.3

Madam Wei-chen LAM is the beneficial owner of the entire issued share capital of Ever Holdings Limited. Ever Holdings Limited is the holding company of Tarbela Company Limited, Tarboca Company Limited and Sermost Limited. Accordingly, the interests of Madam Wei-chen LAM in the Company duplicate the interests of Ever Holdings Limited and the interests of Ever Holdings Limited in the Company duplicate the interests of its three wholly-owned subsidiaries mentioned above.

Save as disclosed herein, the directors were not aware of any person holding 10% or more of the Company's issued share capital as at 31 March 2001.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$2,444,000.

PENSION SCHEME

Details of the pension scheme of the Group are shown in note 32 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2001, the five largest customers of the Group accounted for approximately 48% of the Group's turnover and the percentage of turnover attributable to the Group's largest customer amounted to 35%.

The aggregate purchases attributable to the Group's five largest suppliers were approximately 33% of the Group's total purchases for the year.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in the share capital of any of the five largest customers.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years are set out on page 7.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 March 2001 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

The financial statements have been jointly audited by Messrs. Deloitte Touche Tohmatsu and Messrs. Lui & Mak. A resolution to re-appoint them as joint auditors will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Shun-choi LAM

Chairman

Hong Kong, 18 June 2001