

WINSOR PROPERTIES HOLDINGS LIMITED

(Incorporated under the laws of the Cayman Islands with limited liability)

Report of the Directors

The Directors have pleasure in submitting their report and the audited accounts for the year ended 31st March, 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The names, particulars and activities of its subsidiaries and associated companies are set out on pages 32 to 33.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 13.

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities and geographical areas is set out in note 3 to the accounts.

A summary of the results and of the assets and liabilities of the Group for the last 5 years is set out on page 36.

No interim dividend was declared. The Directors do not recommend a final dividend.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the Cayman Islands being the jurisdiction in which the Company was incorporated.

RESERVES

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

DISTRIBUTABLE RESERVES

Under the Cayman Islands Companies Law, contributed surplus is distributable. Accordingly, total distributable reserves of the Company as at 31st March, 2001 amounted to HK\$2,403,910,000 (2000: HK\$2,359,936,000).

FIXED ASSETS

Details of the movements in fixed assets are set out in note 12 to the accounts.

PRINCIPAL PROPERTIES

Details of the principal properties held for development, for sale and for investment purposes are set out on pages 34 to 35.

BANK, OTHER BORROWINGS AND INTEREST CAPITALISED

Details of bank and other borrowings are set out in notes 20, 23 and 24 to the accounts. No interest has been capitalised during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the Company were entered into or existed during the year.

DIRECTORS

The Board of Directors as now constituted is listed on page 1. The brief biographical details of the Directors are set out on pages 2 to 3.

Lord Sandberg, Michael Graham Ruddock, Mr. Chow Ming Shan, Mr. Tang Hung Yuan and Mr. Lam Woon Bun retire by rotation under the provisions of Article 116 at the forthcoming annual general meeting. Mr. Chow Ming Shan and Mr. Tang Hung Yuan, for the reason of affording themselves more time with their other commitments, do not stand for re-election. The other retiring directors, being eligible, offer themselves for re-election.

None of the Directors has a service contract with the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

During the year, the Company has complied with the Code of Best Practice as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except that non-executive directors are not appointed for a specific term but are subject to retirement by rotation at annual general meetings of the Company in accordance with Article 116 of the Company's Articles of Association.

Pursuant to the Code of Best Practice, an Audit Committee with written terms of reference has been appointed on 18th December, 1998. The Audit Committee comprises two independent non-executive directors, namely Mr. Chow Pai Ying and Mr. Ho Fook Hong, Ferdinand and one non-executive director, Mr. Cheng Wai Chee, Christopher. The Audit Committee's principal duties include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee has met three times during the year.

Report of the Directors *(continued)*

DIRECTORS' INTERESTS IN CONTRACTS AND IN EQUITY OR DEBT SECURITIES

Save and except for the transactions disclosed in the sections headed "Related party and connected transactions" and "Major customers and suppliers", no contracts of significance in relation to the Group's business to which the Company or 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.

At no time during the year was the Company or 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.

The interests of the Directors at 31st March, 2001 in the issued share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) as recorded in the register maintained under section 29 of that Ordinance are set out below:

	Personal interests	Family interests	Corporate interests <i>(Note 1)</i>	Other interests <i>(Notes 2 & 3)</i>	Total
The Company					
Ordinary shares held:					
Mr. Chou Wen Hsien	10,233,875	2,736,088	25,968,000	—	38,937,963
Mr. Chow Chung Kai	12,764,665	9,000	25,968,000	—	38,741,665
Mr. Cheng Wai Chee, Christopher	—	27,000	—	95,380,887	95,407,887
Mr. Cheng Wai Sun, Edward	—	—	—	71,790,500	71,790,500
Mr. Chow Ming Shan	4,356,859	—	—	—	4,356,859
Mr. Tang Hung Yuan	7,030,632	212,500	—	—	7,243,132
Mr. Chow Wai Wai, John	1,052,500	—	—	—	1,052,500
Mr. Lam Woon Bun	50,000	10,000	—	—	60,000
Mrs. Chen Chou Mei Mei, Vivien	70,000	—	—	—	70,000
Sutherland Investment Co. Ltd.					
Ordinary shares held:					
Mr. Chou Wen Hsien	—	—	40	—	40
Mr. Chow Chung Kai	—	—	40	—	40
<i>Notes:</i>					
(1) <i>Such shares are held by a corporation where Mr. Chou Wen Hsien and Mr. Chow Chung Kai are each entitled to exercise one-third or more of the voting power in general meeting of the corporation.</i>					
(2) <i>Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward are both beneficiaries of a family trust, the assets of which included indirect interests in 71,790,500 shares in the Company which were beneficially owned by Wing Tai Holdings Limited ("Wing Tai"), as set out in the note under the section "Substantial shareholders".</i>					
(3) <i>The Company has been notified by Mr. Cheng Wai Chee, Christopher of the following:-</i>					
<i>He has a corporate interest in 29% of the issued share capital of USI Holdings Ltd. ("USI"). Wing Tai is also interested in 21% of the issued share capital of USI. USI, through its wholly owned subsidiaries (Twin Dragon Investments Ltd. and Shui Hing Textiles International Ltd.), is interested in 23,590,387 ordinary shares of the Company as from 16th March, 2001. Despite the legal advice obtained by him that USI's interest in the ordinary shares of the Company is not, to him, a notifiable interest, he nonetheless decided to disclose the same for transparency.</i>					

The Company has not granted any right to subscribe for equity or debt securities of the Company.

Save as disclosed herein, none of the Directors had any interest in the equity or debt securities of the Company or any of its associated corporations at 31st March, 2001.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

Set out below is information disclosed pursuant to paragraph 8.10(2) of the Listing Rules:-

Six executive Directors of the Company, namely Messrs. Chou Wen Hsien, Chow Chung Kai, Chow Wai Wai, John, Chow Ming Shan, Tang Hung Yuan and Lam Woon Bun, being also executive directors of Winsor Industrial Corporation, Limited ("WICL") are considered as having an interest in WICL under paragraph 8.10(2).

Ownership of an industrial building and carpark spaces in Hong Kong for letting by WICL's subsidiaries constitute competing businesses to the Group. In view of the Group's experience and expertise in industrial property letting and management, the WICL subsidiaries have appointed a subsidiary of the Group as agent for letting and property management of the said properties.

Since the WICL Group properties are targeted at different customers and/or situated in a different area compared to the Group's own properties, the Group considers that its interest in the businesses of owning and letting of industrial premises and carparking spaces is adequately safeguarded.

Mr. Chow Ming Shan, an executive Director of the Company, being also a non-executive director of Safety Godown Company Limited ("Safety Godown") is considered as having an interest in Safety Godown under paragraph 8.10(2).

The principal businesses of Safety Godown and its subsidiaries are property investment and godown operation. Such businesses constituted competing businesses to the Group.

Mr. Chow Ming Shan is not involved in any way in the carrying on of the competing businesses by Safety Godown. The Group is therefore capable of carrying on its business independently of, and at arm's length from, the said competing businesses.

Two executive Directors of the Company, namely Mrs. Chen Chou Mei Mei, Vivien and Mr. Lam Woon Bun, being also directors of China Logistics Group Limited ("China Logistics") (formerly known as Ocean Land Group Limited) are considered as having an interest in China Logistics under paragraph 8.10(2).

Ownership of a carpark building and an industrial building in Hong Kong for letting by China Logistics' subsidiaries constitute competing businesses to the Group.

Mrs. Chen Chou Mei Mei, Vivien and Mr. Lam Woon Bun are not involved in any way in the carrying on of the competing businesses by China Logistics. The Group is therefore capable of carrying on its business independently of, and at arm's length from, the said competing businesses. Mr. Lam Woon Bun

resigned as a non-executive director of China Logistics on 1st April, 2001.

Two non-executive directors of the Company, namely Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward, being also executive directors of USI Holdings Limited ("USI") and having an interest therein are considered as having an interest in USI under paragraph 8.10(2). Their alternate director, Mr. Au Hing Lun, Dennis, being a director of certain wholly-owned subsidiaries of USI is also considered as having an interest in USI under paragraph 8.10(2).

The letting and managing of certain industrial buildings by USI constitute competing businesses to the Group. As non-executive directors of the Company, Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward are not involved in any way in the carrying on of the Group's businesses, so is their alternate, Mr. Au Hing Lun, Dennis.

USI is a listed company with an independent management team and administration which are separated from those of the Group and the industrial buildings let and managed by USI and the Group are targeting at different customer bases and different market segments. In this respect, coupled with the diligence of its independent non-executive directors, the Group is capable of carrying on its businesses at arm's length and independently of such competing businesses.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16 (1) of the Securities (Disclosure of Interests) Ordinance shows that at 31st March, 2001 the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company, other than those of the Directors as disclosed above:-

	Number of <u>Ordinary shares held</u>	% of <u>Total</u>
Crossbrook Group Limited	71,790,500	27.65%
Wing Tai Holdings Limited *	71,790,500	27.65%

* *Crossbrook Group Limited is a wholly-owned subsidiary of Wing Tai Holdings Limited. Consequently, Wing Tai Holdings Limited is deemed, under the Securities (Disclosure of Interests) Ordinance, to be interested in all the shares beneficially owned by Crossbrook Group Limited.*

RELATED PARTY AND CONNECTED TRANSACTIONS

- (a) Significant related party transactions entered by the Group during the year ended 31st March, 2001, which do not constitute connected transactions under the Listing Rules, are disclosed in note 11(a) to the accounts.

WINSOR PROPERTIES HOLDINGS LIMITED

(Incorporated under the laws of the Cayman Islands with limited liability)

Report of the Directors *(continued)*

(b) Other related party transactions, which also constitute connected transactions under the Listing Rules, required to be disclosed in accordance with Chapter 14 of the Listing Rules, are disclosed in note 11(b) to the accounts.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed 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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of the Group's sales and purchases attributable to major customers and suppliers are as follows:

Percentage of sales attributable to the Group's largest customer	42.17%
Percentage of sales attributable to the Group's 5 largest customers	46.47%
Percentage of purchases attributable to the Group's largest supplier	27.36%
Percentage of purchases attributable to the Group's 5 largest suppliers	64.80%

The Group's largest and second largest suppliers are wholly-owned subsidiaries of WICL. Six executive directors of the Company, namely Messrs. Chou Wen Hsien, Chow Chung Kai, Chow Wai Wai, John, Chow Ming Shan, Tang Hung Yuan and Lam Woon Bun, are also executive directors of WICL. Each of Messrs. Chou Wen Hsien and Chow Chung Kai who are deemed substantial shareholders of WICL, also owns more than 5% of the Company's share capital. Saved as disclosed herein, none of the Directors, their associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in the customers and suppliers disclosed above.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who offer themselves for re-appointment at a fee to be agreed.

On behalf of the Board

CHOU Wen Hsien
Chairman

Hong Kong, 4th July, 2001