

Directors' Report

The Directors present their annual report and the audited financial statements of the Company for the year ended 31st March, 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The activities of the Company's principal subsidiaries as at 31st March, 2001 are set out in note 42 to the financial statements.

RESULTS

The results of the Group are set out in the consolidated income statement on page 26 of the annual report and in the accompanying notes to the financial statements.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 4th September, 2001 to 6th September, 2001, both days inclusive, during which period no share transfers will be registered.

In order to be eligible to attend and vote at the 2001 Annual General Meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Progressive Registration Limited, not later than 4:00 p.m. on 3rd September, 2001.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 29 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2001, the aggregate turnover and purchase attributable to the five largest customers and suppliers of the Group were less than 30% of the total turnover and purchases of the Group, respectively.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 86 of the annual report.

INVESTMENT PROPERTIES

The Group's investment properties were revalued at 31st March, 2001 at the amount of approximately HK\$323,910,000, and the deficit arising on revaluation amounting to approximately HK\$28,990,000 been charged to the consolidated income statement.

Details of this movement in the investment properties of the Group during the year are set out in note 14 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

The Group's properties held for development, cold storage warehouses and other land and buildings were revalued with an aggregate amount of approximately HK\$1,261,891,000. The deficit arising on revaluation of these properties amounted to approximately HK\$269,321,000, of which approximately HK\$238,507,000 has been debited to the asset revaluation reserve, approximately HK\$119,000 has been credited to asset revaluation reserve as set out in note 29 and approximately HK\$30,933,000 has been charged to the consolidated income statements.

Details of these and other movements in the property, plant and equipment of the Group and of the Company during the year are set out in note 15 to the financial statements.

PROPERTIES

Particulars of major properties of the Group as at 31st March, 2001 are set out on pages 87 to 90 of the annual report.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31st March, 2001 are set out in note 42 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 27 to the financial statements.

SHARE OPTIONS

Information on the Company's share option scheme and details of its movements during the year are set out in note 28 to the financial statements.

BORROWINGS

Bank and other borrowings repayable within one year or on demand are classified as current liabilities. Repayment analyses of obligations under finance leases and bank and other borrowings as at 31st March, 2001 are set out in notes 24 and 25 to the financial statements, respectively.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Ms. Shirley Choi Siu Lui

(Chairman and Chief Executive Officer)

Ms. Ou Yirong

Mr. Norman Choi Sung Fung

Mr. Dennis Hon King Sang

(appointed on 22nd August, 2000)

Mr. Michael Ho Hoi Yu (*Vice Chairman*)

(resigned on 1st March, 2001)

Non-executive Director:

Mr. Choi Sai Leung (Honorary Chairman)

Independent Non-executive Directors:

Ms. Judy Wong Tak Kwan

Mr. Ronald Lau Kin Hon

(appointed on 15th August, 2000)

Ms. Sarah Chan Siu

(resigned on 1st April, 2001)

Mr. Choi Sai Leung retired as the Chairman and Ms. Shirley Choi Siu Lui was appointed as the Chairman and Chief Executive Officer of the Company on 7th June, 2000.

Mr. Choi Sai Leung has relinquished his executive functions and remains as a Non-executive Director. He was appointed as the Honorary Chairman of the Company for a term of 10 years from 7th June, 2000 onwards.

Mr. Michael Ho Hoi Yu was appointed as Vice Chairman on 1st November, 2000 and resigned as the Vice Chairman and Executive Director on 1st March, 2001.

In accordance with Article 99 of the Company's Articles of Association, no Directors shall retire at the forthcoming Annual General Meeting.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (continued)

In accordance with Article 116 of the Company's Articles of Association, Mr. Choi Sai Leung and Ms. Ou Yirong shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Ms. Judy Wong Tak Kwan and Mr. Ronald Lau Kin Hon, Independent Non-executive Directors, have been appointed for fixed term commencing 1st April, 2001 and 15th August, 2000, respectively and ending on 31st March, 2003 and 14th August, 2002, respectively. They are also subject to retirement by rotation in accordance with Articles 99 and 116 of the Company's Articles of Association.

None of the Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS

Executive Directors

Ms. Shirley Choi Siu Lui (Chairman and Chief Executive Officer), aged 32, was appointed as a Director of the Company in February 1994 and as the Chairman and Chief Executive Officer of the Company in June 2000. She is presently also the Chairman and Chief Executive Officer of I-China Holdings Limited ("I-China"). Ms. Choi received a Master Degree in Business Administration from Pepperdine University in the State of California, U.S.A. and Degrees in Business Administration (Finance) and Arts (Music) from University of San Diego. She has extensive experience in corporate development and supply chain management. Other than I-China, she is also a Director of Fordit Limited ("Fordit"), Felcasa International Limited ("Felcasa"), Seapower Consortium Company Limited ("Seapower Consortium") and Seapower International (B.V.I.) Limited ("Seapower BVI"), all being substantial shareholders of the Company as of 31st March, 2001 pursuant to Part II of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"). Ms. Choi is the daughter of Mr. Choi Sai Leung, the Honorary Chairman and a Non-Executive Director of the Company, and the elder sister of Mr. Norman Choi Sung Fung, an Executive Director of the Company.

Ms. Ou Yirong, aged 58, joined the Group in 1995 as a Director of the China Division. She was appointed as an Executive Director of the Company in April 1998. She is presently also an Executive Director of I-China. Ms. Ou received a Master of Law Degree from The Columbia University, Law School, New York and is a Chinese Attorney at Law of China Lawyers Association. She has over thirty years' working experience with government authorities, companies and law firms worldwide including the People's Republic of China (the "PRC"), U.S.A. and Hong Kong Special Administrative Region ("Hong Kong SAR").

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS (continued)

Mr. Norman Choi Sung Fung, aged 29, was appointed as a Director of the Company in July 1999. He is currently also the Deputy Chairman and an Executive Director of I-China. Mr. Choi received a Degree in Business Administration from the University of San Diego, U.S.A. and has more than seven years' experience in securities investment, corporate development and internet business. Other than I-China, he is also a Director of Fordit, Felcasa, Seapower Consortium and Seapower BVI, all being substantial shareholders of the Company as of 31st March, 2001 pursuant to Part II of the SDI Ordinance. Mr. Choi is the son of Mr. Choi Sai Leung, the Honorary Chairman and a Non-Executive Director of the Company and the younger brother of Ms. Shirley Choi Siu Lui, the Chairman and Chief Executive Officer of the Company.

Mr. Dennis Hon King Sang, aged 47, was appointed as a Director of the Company in August 2000. Mr. Hon joined the Group in July 1999 as Chief Legal Counsel and has over 20 years of experience in legal, banking and investment fields. He has been admitted as a solicitor of the High Court of Hong Kong SAR since 1984 and has a Master of Laws Degree from the University of London.

Non-executive Director

Mr. Choi Sai Leung (Honorary Chairman), aged 60, was appointed as a Director of the Company in September 1989 and had acted as the Chairman of the Company until June 2000 when he considered that the Group has been firmly established under the new management. Mr. Choi therefore resigned as Chairman and relinquished from the executive functions as Director and passed on the leadership of the Group to the new management team. Since June 2000, he has been appointed as Honorary Chairman and remains as a Non-executive Director of the Company. He is presently also the Honorary Chairman and a Non-executive Director of I-China, a substantial shareholder of the Company as of 31st March, 2001 pursuant to Part II of the SDI Ordinance. Mr. Choi has over thirty years of experience in property development, securities investment, financial planning and business management. Mr. Choi is the father of Ms. Shirley Choi Siu Lui, the Chairman and Chief Executive Officer of the Company and Mr. Norman Choi Sung Fung, an Executive Director of the Company.

Independent Non-executive Directors

Ms. Judy Wong Tak Kwan, aged 34, was appointed as a Director of the Company in August 1998. Ms. Wong is admitted as a solicitor of the High Court of the Hong Kong SAR. She has worked for nine years in major firms and has extensive experience in providing legal advice on banking, finance and PRC projects.

Mr. Ronald Lau Kin Hon, aged 33, was appointed as a Director of the Company in August 2000. He is currently also an Independent Non-Executive Director of I-China. Mr. Lau is a practising solicitor and is currently a partner of a law firm.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS (continued)*Senior Managers*

Dr. Elizabeth Chang, aged 36, is the Head of IT/E-commerce. Dr. Chang's roles include project management of development of e-warehouse management system and e-logistics management system. She worked as consultant for the Company since February 2000. Dr. Chang has been a project manager who has successfully managed several commercial grade software projects for Australian Industries and completed these projects on time and within budget. She is also an Associate Professor in Software Engineering at the University of Newcastle, she also taught project management and software engineering at La Trobe University and Swanbourne University over the past ten years. She was awarded a BSc degree in Computer Science at Beijing University, Master by Research and PhD in Computer Science and Software Engineering in La Trobe University. She has published over 50 international journal and conference papers on her work.

Ms. Monica Chow Shuk Kuen, aged 34, joined the Group in September 1997 and is currently the Group Financial Officer. Ms. Chow is a fellow member of the Association of Chartered Certified Accountants in United Kingdom and Associate member of the Hong Kong Society of Accountants. She has gained extensive experience in auditing and accounting with a major international CPA firm in Hong Kong SAR.

Mr. Dong Shirun, aged 60, joined the Group in 1996. He is currently a Director of the Direct Investment Division. Mr. Dong graduated from the North East Heavy Machinery Institute, QiQiHar, PRC and was awarded the status of Senior Economist by the Commission for Science and Technology, Guangdong Provincial Government. He has over eighteen years of experience in investment and trading.

Mr. Boris Lam Kwok Ming, aged 38, joined the Group in February 1998 and is currently the Chief Financial Officer of the Group. Mr. Lam is a fellow member of the Association of Chartered Certified Accountants in United Kingdom. He has gained extensive experience in auditing, corporate finance and accounting with a major international CPA firm, an industrial group and a conglomerate listed in Hong Kong SAR.

Mr. Lee Tsun Kwok, aged 44, is the General Manager of the Cold Storage Division. Mr. Lee started his career as a container inspector in a leading shipping terminal in 1977. In 1979, he joined Yiu Fai Warehousing Limited as the Operation Manager before it was acquired by the Company in 1989. He had held a number of key positions in both operation and marketing before he was promoted to General Manager in October 2000.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS (continued)*Senior Managers*

Ms. Mabel Lui Chun Wai, aged 43, joined the Group in September 1988. She is currently the Group Personnel and Administration Director. She has over seventeen years of experience in the field of personnel and administration.

Ms. Rosie Song Yue, aged 32, joined the Group in July 2000 as the Senior Manager of China Business Development. Ms. Song received her Bachelor of Medical Degree in Medical Science from the Capital University, Beijing and formerly worked with Novo Nordisk (a Danish pharmaceutical company in Beijing). She has accumulated more than eight years of experience in sales and marketing and is especially familiar with the promotion and development of business and trade in the PRC market.

Mr. Alvin Yim Kwok Leung, aged 42, is the Managing Director of the Cold Storage Division. Mr. Yim has been serving in the cold storage industry for nearly twenty two years. He started his career in 1980 as a customer service supervisor trainee in Yiu Fai Warehousing Limited before it was acquired by the Company in 1989. During the period from 1985 to 1995, he was the Deputy Operation Manager in another major cold storage operator in Hong Kong SAR. He rejoined Seapower Resources Cold Storage & Warehousing Limited, the subsidiary of the Company in 1995 as Senior Manager and was promoted to Managing Director in November 2000. He was one of the key staffs involved in the planning and implementation of the Division's ISO9002 accreditation.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st March, 2001, the interests of the Directors of the Company and their associates in the securities of the Company and its associated corporations, within the meaning of the SDI Ordinance, as recorded in the register maintained by the Company pursuant to section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of Director	Nature of interests	Number of shares held in the Company
Ms. Shirley Choi Siu Lui ("Ms. Choi")	Personal interests	500,000
Mr. Choi Sai Leung ("Mr. Choi")	Personal interests	9,000,000

DIRECTORS' INTERESTS IN SECURITIES (continued)

Save as disclosed above and under the section headed "Directors' Rights to Acquire Shares or Debentures" below as at 31st March, 2001, none of the Directors, chief executives or their associates had any interests in any securities of the Company or any of its associated corporations, within the meaning of the SDI Ordinance.

DIRECTORS' INTERESTS IN I-CHINA

As at 31st March, 2001, the interests of the Directors of the Company and their associates in I-China, within the meaning of the SDI Ordinance, as recorded in the register maintained by I-China pursuant to section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Shares in I-China

Name of Director	Nature of interests	Number of shares held
Mr. Choi	Other interests	127,144,278 <i>(note)</i>

Note: This represents the deemed interest of Mr. Choi in 127,144,278 shares in I-China held by Norham as at 31st March, 2001. Norham was the asset of a discretionary trust, the Celleroy Trust. Mr. Choi, being the sole shareholder and sole director of the trustee, Celleroy, was deemed to have an interest in these shares pursuant to Section 8 of the SDI Ordinance.

DIRECTORS' INTERESTS IN I-CHINA (continued)*(b) Share Option in I-China*

Details of the share options granted to the Directors of the Company or their associates on 22nd November, 1999 to subscribe for shares in I-China at an exercise price of HK\$0.23 per share, subject to adjustment, and exercisable from 23rd May, 2000 to 22nd November, 2004, are as follows:

Name of director	Nature of interests	Outstanding share options at 1.4.2000 and 31.3.2001
Ms. Choi	Personal interests	12,700,000
Mr. Norman Choi Sung Fung ("Mr. Norman Choi")	Personal interests	2,000,000
Ms. Ou Yirong ("Ms. Ou")	Personal interests	5,600,000
Mr. Dennis Hon King Sang ("Mr. Hon")	Personal interests	1,000,000
Mr. Choi	Personal interests	12,700,000
Mr. Choi	Family interests <i>(note 1)</i>	12,700,000
Mr. Michael Ho Hoi Yu ("Mr. Ho") (former director)	Personal interests	1,000,000 <i>(note 2)</i>

Notes:

1. These share options were granted to Madam Hui Kam Yip ("Madam Hui"), the wife of Mr. Choi.
2. These share options subsequently lapsed on 1st June, 2001 pursuant to the Share Option Scheme.

No options were granted to or exercised by the Directors of the Company or their associates during the year.

Save as disclosed above, at no time during the year was the Company or any of the subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, I-China or any other body corporate, and none of the Directors, chief executives or their spouses or children under the age of eighteen had any right to subscribe for the securities of I-China, or had exercised any such right during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the Company's share option scheme are set out in note 28 to the financial statements.

Details of the movements in the share options granted to the Directors of the Company or their associates on 22nd November, 1999 to subscribe for shares in the Company at an exercise price of HK\$0.125 per share, subject to adjustment, and exercisable from 23rd May, 2000 to 22nd November, 2004, are as follows:

Name of director	Nature of interests	Outstanding share options at 1.4.2000 and 31.3.2001
Ms. Choi	Personal interests	38,584,795
Ms. Ou	Personal interests	11,981,846
Mr. Norman Choi	Personal interests	10,784,435
Mr. Hon	Personal interests	1,197,411
Mr. Choi	Personal interests	38,584,795
Mr. Choi	Family interests (note 1)	38,584,795
Mr. Ho (former director)	Personal interests	3,114,197 (note 2)

Notes:

1. These share options were granted to Madam Hui.
2. These share options subsequently lapsed on 1st June, 2001 pursuant to the terms of the share option scheme.

No options were granted to or exercised by the Directors of the Company or their associates during the year.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the Directors, chief executives or their spouses or children under the age of eighteen had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

CONNECTED TRANSACTIONS

The related party transactions disclosed in note 40 (a) to (d) to the financial statements constitute connected transactions of the Company and have been disclosed pursuant to the Listing Rules or fall within the exemption provisions under Rule 14.24 of the Listing Rules.

MANAGEMENT CONTRACT

Pursuant to a management agreement (the "Agreement") dated 1st January, 1995, the Company appointed a wholly-owned subsidiary of I-China to provide administrative, accounting, secretarial and other related services to the Group with effect from 1st January, 1995. The Agreement is terminable by either party by giving one month's written notice. Details of the management fee payable to the I-China group during the year ended 31st March, 2001 are set out in note 40(a) to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed above, no contracts of significance 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.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance shows that the following shareholders had an interest of 10% or more of the issued share capital of the Company as at 31st March, 2001:

Name of shareholder	Number of shares of the Company held			Percentage of issued share capital %	Notes
	Direct interest	Deemed interest	Total interest		
I-China	–	556,521,518	556,521,518	35.97	1
Seapower BVI	–	556,521,518	556,521,518	35.97	1
Seapower Consortium	–	556,521,518	556,521,518	35.97	1
Felcasa	140,000,000	416,521,518	556,521,518	35.97	2
Fordit	416,521,518	–	416,521,518	26.92	3

SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

1. These represented the deemed interest in 556,521,518 shares in the Company held by Felcasa and Fordit which are wholly-owned subsidiaries of these companies.
2. This included the deemed interest in 416,521,518 shares in the Company held by Fordit which is a wholly-owned subsidiary of Felcasa.
3. This included 159,315,000 shares in the Company held by Peregrine Brokerage Limited as chargee.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 31st March, 2001.

RETIREMENT BENEFIT SCHEME

Information on the Group's retirement benefit scheme and MPF Scheme are set out in notes 7 and 35 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of 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

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

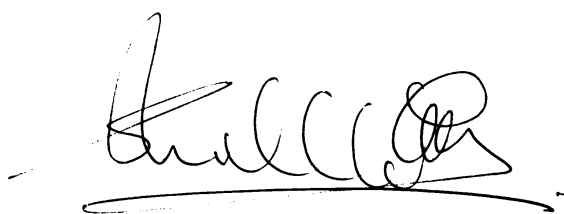
CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2001 with the "Code of Best Practice" as set out in Appendix 14 of the Listing Rules.

AUDITORS

A resolution will be submitted to the forthcoming Annual General Meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Shirley Choi Siu Lui', with a horizontal line underneath it.

Shirley Choi Siu Lui

Chairman

Hong Kong, 26th July, 2001