

Report of the Directors

The Directors have pleasure in submitting their report and the audited accounts for the year ended 31 March 2002.

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 40 to 41.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 14.

An analysis of the Group's turnover and profit for the year by business and geographical segments is set out in note 2 to the accounts.

A summary of the results and assets and liabilities of the Group for the last 5 years is set out on page 44.

An interim dividend of 5 cents per share, totalling HK\$12,984,000, was paid on 7 February 2002. The Directors have recommended a final dividend of 5 cents per share, totalling HK\$12,984,000, payable on 4 September 2002.

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 notes 22 and 23 to the accounts.

DISTRIBUTABLE RESERVES

Under the Cayman Islands Companies Law, contributed surplus is distributable. Accordingly, total distributable reserves of the Company as at 31 March 2002 amounted to HK\$2,594,692,000 (2001: HK\$2,403,910,000).

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 42 to 43.

BANK, OTHER BORROWINGS AND INTEREST CAPITALISED

Details of bank and other borrowings are set out in notes 20, 24 and 25 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 4.

Mr. Chou Wen Hsien, Mr. Chow Chung Kai and Mr. Chow Pai Ying resigned as directors of the Company with effect from the close of the annual general meeting held on 15 August 2001.

Mr. Chow Ming Shan and Mr. Tang Hung Yuan retired by rotation at the annual general meeting held on 15 August 2001 and did not stand for re-election.

Mr. Tang Ming Chien, Manning, Mr. Giles, Paul Francis and Mr. Chow Wei Lin were appointed Directors of the Company on 15 August 2001. They retire under the provisions of Article 99 of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Mr. Ho Fook Hong, Ferdinand, Mrs. Chen Chou Mei Mei, Vivien and Mr. Chung Hon Sing, John retire by rotation under the provisions of Article 116 of the Company's Articles of Association at the forthcoming annual general meeting and, 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 (i) 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; and (ii) the Audit Committee of the Board of Directors did not have a majority of independent non-executive Directors as from 15 August 2001 due to the resignation of Mr. Chow Pai Ying as an independent non-executive Director. The latter non-compliance was rectified on 23 November 2001 with the appointment of Mr. Langley, Christopher Patrick to the Audit Committee.

Pursuant to the Code of Best Practice, an Audit Committee with written terms of reference was appointed on 18 December 1998. The present Audit Committee comprises two independent non-executive Directors, namely Mr. Langley, Christopher Patrick 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 of the Group's financial reports and internal controls and risk evaluation. The Audit Committee has met three times during the year.

DIRECTORS' INTERESTS IN CONTRACTS AND IN EQUITY OR DEBT SECURITIES

Save and except for the relevant transactions disclosed in the sections headed "Related party and connected transactions",

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 31 March 2002 in the issued share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDIO")) as recorded in the register maintained under section 29 of the SDIO are set out below.

	Personal interests	Family interests	Corporate interests	Other interests (Notes 1 & 2)	Total
The Company					
Ordinary shares held:					
Mr. Cheng Wai Chee, Christopher	—	27,000	—	98,959,887	98,986,887
Mr. Chow Wai Wai, John	1,499,500	—	—	—	1,499,500
Mr. Cheng Wai Sun, Edward	—	—	—	71,790,500	71,790,500
Mr. Tang Ming Chien, Manning	600,000	—	—	—	600,000
Mr. Lam Woon Bun	50,000	10,000	—	—	60,000
Mrs. Chen Chou Mei Mei, Vivien	70,000	—	—	—	70,000
Mr. Chow Wei Lin	—	—	189,215	—	189,215
<i>Notes:</i>					
(1) <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>					
(2) <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 21.3% 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 27,169,387 ordinary shares of the Company as from 28 December 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 31 March 2002.

Report of the Directors *(continued)*

DIRECTORS' INTEREST IN COMPETING BUSINESSES

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

Messrs. Chou Wen Hsien, Chow Chung Kai, Chow Ming Shan and Tang Hung Yuan, who served as executive Directors of the Company during the year until 15 August 2001, three executive Directors of the Company, namely Messrs. Chow Wai Wai, John, Lam Woon Bun and Chow Wei Lin, and two non-executive Directors of the Company, namely Messrs. Tang Ming Chien, Manning and Giles, Paul Francis being also directors of Winsor Industrial Corporation, Limited ("WICL") and/or its subsidiaries, are considered as having interests 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, who served as an executive Director of the Company during the year until 15 August 2001, being also a non-executive director of Safety Godown Company Limited ("Safety Godown") for the period from 1 April 2001 to 30 August 2001, 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 constitute competing businesses to the Group.

Mr. Chow Ming Shan was 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. Mr. Chow Ming Shan resigned as a non-executive director of Safety Godown on 30 August 2001.

Mrs. Chen Chou Mei Mei, Vivien, an executive Director, being

also a director of China Logistics Group Limited ("China Logistics") for the period from 1 April 2001 to 17 January 2002, is 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 was 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. Mrs. Chen Chou Mei Mei, Vivien resigned as a non-executive director of China Logistics on 17 January 2002.

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 and having equity interests therein are considered as having interests 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 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 participating in the routine businesses of letting and managing of industrial buildings by the Group, neither 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 SDIO shows that at 31 March 2002 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:

Name	Number of Ordinary shares held	% interest in total issued shares
Crossbrook Group Limited	71,790,500	27.65%
Wing Tai Holdings Limited (Note 1)	71,790,500	27.65%
Mr. Chou Wen Hsien (Note 2)	38,937,963	14.99%
Mr. Chow Chung Kai (Note 2)	38,741,665	14.92%
Twin Dragon Investments Limited	26,460,887	10.19%
USI Holdings (B.V.I.) Limited (Note 3)	26,551,387	10.22%
USI Holdings Limited (Note 3)	26,551,387	10.22%

Notes:

(1) Crossbrook Group Limited is a wholly-owned subsidiary of Wing Tai. Consequently, Wing Tai is deemed, under the SDIO, to be interested in all the shares beneficially owned by Crossbrook Group Limited.

(2) Including 25,968,000 shares beneficially owned 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.

(3) Twin Dragon Investments Limited is a wholly-owned subsidiary of USI Holdings (B.V.I.) Limited which in turn is a wholly-owned subsidiary of USI. Consequently, under the SDIO, USI Holdings (B.V.I.) Limited is deemed to be interested in all the shares beneficially owned by Twin Dragon Investments Limited, and USI is deemed to be interested in all the shares beneficially owned by USI Holdings (B.V.I.) Limited.

RELATED PARTY AND CONNECTED TRANSACTIONS

- (a) Significant related party transactions entered by the Group during the year ended 31 March 2002, which do not constitute connected transactions under the Listing Rules, are disclosed in note 11(a) to the accounts.
- (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, less than 30% of the Group's sales and less than 30% of the Group's purchases were attributable to its 5 largest customers and suppliers respectively.

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

CHENG Wai Chee, Christopher
Chairman

Hong Kong, 11 July 2002