

Chairman's Statement

PROFIT FOR THE YEAR

The Group's audited consolidated net profit after tax for the year ended 31 March 2001 amounted to HK\$44,613,000 which represents an increase of 46% over the amount of HK\$30,594,000 for the previous year. Earnings per share were HK\$0.33 (2000: HK\$0.23).

DIVIDENDS

The Directors recommend the payment of a final dividend of 7 cents per share. Together with the interim dividend of 5 cents per share already paid, the total distribution for the year ended 31 March 2001 will be 12 cents per share. The total distribution for the previous year was 22 cents per share.

REVIEW OF OPERATIONS

The first half of the year saw continued recovery in economies overseas. Hong Kong's export and entrepot trade performed well, which provided notable benefits for the warehouse industry. However, in the second half of the year, Hong Kong's economy suffered as a result of the slowdown in the US economy, the bursting of the IT bubble worldwide and more Hong Kong people spending across the border in Shenzhen. Moreover, following years of steady development in its economy, the Mainland is now able to manufacture products that were previously imported abroad, and this is affecting Hong Kong's export and entrepot trade. Alongside these factors, the Mainland's transportation industry now also offers greater diversity, undermining that of Hong Kong. This has in turn led to a sluggish warehousing industry, which recorded a drop in the godown turnover rate. Although there has been a drastic fall in the completion of new warehouses, the drop in demand for data centre has caused a large number of warehouse spaces to become available again on the market. This has resulted in keener competition among players in the industry and a more difficult business environment.

The Group provides modern godown facilities that offer smooth and efficient processes for storage and delivery of goods, and our comprehensive services guarantee customer satisfaction. Our godown operation was stable throughout the year under review and the performance showed an improvement on last year.

The rental business at the Lu Plaza in Wing Yip Street in Kwun Tong has proved satisfactory, with revenue from rental increasing. Coupled with the results on control of operating cost adopted by the Group, the contribution from the rental business reaped a 36% increase over the previous year. With its high quality, advanced facilities and outstanding management services, the Lu Plaza now achieves a satisfactory occupancy rate of 91%.

OUTLOOK

The development of the great western China is likely to drive the Hong Kong's traditional industries not only northward, but also westward. Hence, the development of high value-added services and industries as well as a strengthened amalgamation with the Mainland's economy will be the trend of the Hong Kong economy. Hong Kong has just started to establish itself as a logistic centre in recent years, but in light of the keen competition from neighbouring countries and regions, weaker demand from IT and data centre industries which lead to a relative increase in warehouse supply, together with the scarcity of sources for goods to be warehoused and stiff competition within the industry, the warehouse business is likely to face greater challenges ahead.

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To maintain our business performance, the Group has developed a new mode of warehousing business, by leasing out part of the excessive warehouse space in order to ensure a stable rental income. In the second quarter of this year, the Group successfully rented out approximately 150,000 square feet in Godown No. 4 to a client. The rest of the space continues to be used for godown operation.

We are optimistic about the rental business at Lu Plaza. The occupancy rate is expected to accelerate further. Meanwhile, we are constantly endeavouring to perfect the quality of services offered at the Plaza and expect increased contribution to be derived from such operation.

LIQUIDITY AND FINANCING

As at 31 March 2001, the Group's bank borrowings amounted to HK\$152.8 million, representing a decrease of HK\$5.2 million over the last year. Accordingly, the finance cost has reduced from HK\$11 million in last year to HK\$10.4 million for this year. The interest cover this year is 5.85 times which represents a considerable improvement from last year's 4.41 times. The improvement in interest cover is mainly attributed to the increase in operating profits and reduction in interest costs.

At the year end date, the Group did not have any long term borrowing and the Group's liquidity ratio was 0.40 times (2000: 0.28 times). The Group continued to maintain a low gearing ratio, calculated on the basis of the Group's net borrowings (after deducting bank balances and deposits of HK\$60.7 million) over shareholders' funds, at approximately 12.7% (2000: 16.2%) at the year end date.

With cash and marketable securities as well as available banking facilities at the year end date, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

EMPLOYEES

During the year, the Group employed approximately 98 (2000: 103) employees. Employee's cost (excluding directors' emoluments) amounted to approximately HK\$20,050,000 (2000: HK\$21,925,000) for the year. The decrease in staff costs is mainly attributed to the reduction in the number of staff employed. The Group ensures that the pay levels of its employees are competitive and salaries of employees are adjusted each year with double pay and bonus at the year end. The Group does not have any employees share option scheme.

PLEDGE OF ASSETS

As at 31 March 2001, certain assets of the Group were pledged to secure bank loan and other banking facilities utilised by the Company and its subsidiary. Details of such pledges are disclosed in note 26 to the financial statements.

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RESIGNATION OF DIRECTOR

Mr. Lu Wing Yuk, Andrew resigned from the position of executive director of the Company on 22 December 2000 for personal reasons. On behalf of the Board, I express sincere thanks for his invaluable contribution over the past years. I also take this opportunity to thank my fellow directors and staff at all levels for their contribution and loyal services.

Lu Sin

Chairman

Hong Kong, 13 July 2001