

Directors' Report

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the operation of public godowns. The activities of its principal subsidiaries are set out in note 29 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 16.

An interim dividend at 5 cents per share amounting to HK\$6,750,000 was paid to shareholders during the year.

The directors now recommend the payment of a final dividend of 7 cents per share to the shareholders on the register of members on 30 August 2001 amounting to HK\$9,450,000, and the retention of the remaining profit for the year of HK\$28,413,000.

RESERVES

Movements in the reserves of the Group and the Company are set out in notes 19 and 20 to the financial statements.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group revalued all of its investment properties at the year end date. The deficit arising on the revaluation, which has been charged directly to the investment property revaluation reserve, amounted to HK\$726,000. Details of the movements are set out in note 12 to the financial statements.

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

MAJOR PROPERTIES

Details of the major properties of the Group at 31 March 2001 are set out on page 40.

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 39.

SHARE CAPITAL

Details of the Company's share capital are set out in note 18 to the financial statements.

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DIRECTORS

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

Executive directors

Mr. Lu Sin (*Chairman & Managing Director*)

Mr. Lui Chi Lung

Mr. Lu Wing Yuk, Andrew

(resigned on 22 December 2000)

Non-executive directors

Mr. Wong Ker Lee

Mr. Chow Ming Shan

Mr. Lu Yong Lee

Independent non-executive directors

Mr. Gan Khai Choon

Mr. Lee Ka Sze, Carmelo

(appointed on 1 July 2000)

In accordance with Articles 78 and 83 of the Company's Articles of Association, Mr. Wong Ker Lee and Mr. Chow Ming Shan retire by rotation at the forthcoming annual general meeting and Mr. Wong Ker Lee, being eligible, offers himself for re-election. Mr. Chow Ming Shan will not seek his re-election.

No director of the Company proposing for re-election at the forthcoming Annual General Meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The term of office for each non-executive and independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

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DIRECTORS' INTEREST IN SHARES

As at 31 March 2001, the interests of the directors 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") were as follows:

Name of director	Number of ordinary shares held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Lu Sin	4,400,000	2,589,500	57,553,445 (Note)	—	64,542,945
Mr. Lui Chi Lung	947,884	—	—	—	947,884
Mr. Wong Ker Lee	1,812,000	—	—	—	1,812,000
Mr. Chow Ming Shan	1,913,897	—	—	—	1,913,897
Mr. Lu Yong Lee	—	—	—	—	—
Mr. Gan Khai Choon	—	—	—	—	—
Mr. Lee Ka Sze, Carmelo	—	—	—	—	—

Note: Including 47,203,445 shares held by Kian Nan Financial Limited as mentioned in substantial shareholders' interests below and 10,350,000 shares held by Earngold Limited in which Mr. Lu Sin has a controlling interest.

Other than as disclosed above, none of the directors or chief executives of the Company, nor their associates, had any interest in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executives of the Company, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Except as disclosed in note 28 to the financial statements, no contract 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the 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.

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SUBSTANTIAL SHAREHOLDERS

As at 31 March 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest in 10 percent or more in the issued share capital of the Company:

Substantial Shareholders	Number of ordinary shares held	
	Direct interest	Indirect interest
Kian Nan Financial Limited	47,203,445	—
Eaver Company Limited	2,007,628	47,203,445 (Note)
Lusin and Company Limited	—	47,203,445 (Note)

Note: All indirect interests duplicate the direct interests attributable to Kian Nan Financial Limited and arise by virtue of the direct interests of Eaver Company Limited and Lusin and Company Limited in Kian Nan Financial Limited such that Eaver Company Limited and Lusin and Company Limited are deemed to have an interest in such 47,203,445 ordinary shares under Section 8 of the SDI Ordinance.

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

MAJOR CUSTOMERS

For the year ended 31 March 2001, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 36% of the Group's total turnover and the turnover attributable to the Group's largest customer was approximately 14% of the Group's total turnover.

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

MAJOR SUPPLIERS

The nature of the activities of the Group is such that no major supplier contributed significantly to the Group's purchases.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Mr. Chow Ming Shan is a director of Winsor Properties Holdings Limited, a company listed in The Stock Exchange of Hong Kong Limited. The property investment and warehouse operation activities in Hong Kong of Winsor Properties Holdings Limited constitute a competing business to the Group.

Mr. Chow Ming Shan, being a non-executive director, is not involved in any way in the carrying of the Group's property investment and warehouse operation business. The Group is therefore capable of carrying on such business independent of, and at arm's length from the said competing business.

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PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$10,000.

CORPORATE GOVERNANCE

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.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr. Gan Khai Choon and Mr. Lee Ka Sze, Carmelo. Two meetings were held during the current financial year.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Lu Sin

Chairman

Hong Kong, 13 July 2001