

# Directors' Report

The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2003.

## Principal Activities

The Company is engaged in investment holding and the operation of public godowns. The principal activities of its subsidiaries are set out in note 27 to the financial statements.

## Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 14.

An interim dividend of 4 cents per share, amounting to HK\$5,400,000, was paid to shareholders during the year. The directors now recommend the payment of a final dividend of 5 cents per share, amounting to HK\$6,750,000, to the shareholders on the register of members on 8 August 2003.

## Investment Properties, Property, Plant and Equipment

During the year, property, plant and equipment with carrying value of HK\$35,869,000 were transferred to investment properties. All of the Group's investment properties were revalued at 31 March 2003, resulting in a net revaluation increase amounting to HK\$1,531,000 which has been credited to investment property revaluation reserve.

Details of these and other movements in investment properties of the Group and property, plant and equipment of the Group and the Company during the year are set out in notes 12 and 13 to the financial statements, respectively.

## 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

### *Non-executive directors*

Mr. Wong Ker Lee  
Mr. Lu Yong Lee

### *Independent non-executive directors*

Mr. Gan Khai Choon  
Mr. Lee Ka Sze, Carmelo

# Directors' Report

## Directors (Continued)

In accordance with Article 78 of the Company's Articles of Association, Mr. Lu Yong Lee and Mr. Lee Ka Sze, Carmelo retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for 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.

## Directors' Interests in Shares

At 31 March 2003, 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	Personal interests	Number of ordinary shares held		Total
		Family interests	Corporate interests	
Mr. Lu Sin	4,400,000	2,589,500	59,553,445( <i>Note</i> )	66,542,945
Mr. Lui Chi Lung	947,884	—	—	947,884
Mr. Wong Ker Lee	1,812,000	—	—	1,812,000

*Note:* Mr. Lu Sin was deemed to be interested in 59,553,445 shares of the Company by virtue of his shareholdings in Lusin and Company Limited and Earngold Limited. Lusin and Company Limited and Earngold Limited owned 2,000,000 shares and 10,350,000 shares, respectively, of the Company. Lusin and Company Limited owned more than one-third of the issued ordinary share capital of Kian Nan Financial Limited which in turn owned 47,203,445 shares of the Company.

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 26 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.

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## 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.

## Substantial Shareholders

At 31 March 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed under the section headed "Directors' interests in shares" above in respect of Mr. Lu Sin and Lusin and Company Limited, the following shareholders had an interest in 10% or more in the issued share capital of the Company:

Name of substantial shareholder	Number of ordinary shares held		Percentage of issued share capital
	Direct interest	Indirect interest	
Eaver Company Limited	2,007,628	47,203,445 ( <i>Note</i> )	36%
Kian Nan Financial Limited	47,203,445	—	35%

*Note:* Eaver Company Limited was deemed to be interested in 47,203,445 shares of the Company by virtue of its shareholding in Kian Nan Financial Limited.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more in the issued share capital at 31 March 2003.

## Major Customers and Suppliers

Aggregate sales attributable to the Group's five largest customers were less than 30% of total turnover.

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

## Purchase, Sale or Redemption of Shares

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

## Distributable Reserves

At 31 March 2003, the Company's reserve available for distribution amounted to HK\$351,475,000.

## Donations

During the year, the Group made charitable and other donations amounting to HK\$20,000.

# Directors' Report

## Corporate Governance

The Company has complied throughout the year ended 31 March 2003 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*

4 July 2003