

# Directors' Report

The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2005.

## Principal Activities

The Company is engaged in investment holding, treasury investment and the operation of public godowns. The principal activities of its principal subsidiaries are set out in note 28 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 20.

An interim dividend of 7 cents per share, amounting to HK\$9,450,000, was paid to shareholders during the year. The directors now recommend the payment of a final dividend of 7 cents per share, amounting to HK\$9,450,000, to the shareholders whose names appear on the register of members on 12 August 2005, and the retention of the remaining profit for the year of HK\$26,639,000.

## Investment Properties, Property, Plant and Equipment

The Group's investment properties were revalued at 31 March 2005, resulting in a net revaluation increase amounting to HK\$90,400,000 which has been credited to the 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. Lu Yong Lee

Mr. Wong Ker Lee (passed away on 1 May 2004)

Mr. Lee Ka Sze, Carmelo (re-designated from independent non-executive director to non-executive director on 28 September 2004)

### *Independent non-executive directors*

Mr. Gan Khai Choon

Mr. Lam Ming Leung

Mr. Oen Min Tjin (appointed on 28 September 2004)

# Directors' Report

## Directors (Continued)

Subject to shareholders approval at the Annual General Meeting ("AGM") to be held on 12 August 2005, the Company's Articles of Association will be amended to effect adoption of the Corporate Governance Code such that every Director shall be subject to retirement by rotation at least once every three years at the AGM.

In accordance with Article 75 of the Company's Articles of Association, Mr. Oen Min Tjin shall retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with Articles 78 and 79 of the Company's Articles of Association, Mr. Lu Yong Lee and Mr. Lee Ka Sze, Carmelo shall 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 Securities

At 31 March 2005, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 371 of the Laws of Hong Kong) ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of Director	Number of ordinary shares of the Company held (long position)			Total	Percentage of issued share capital of the Company
	Personal interests	Family interests	Corporate interests (Note)		
Mr. Lu Sin	4,400,000	2,589,500	59,553,445	66,542,945	49%
Mr. Lui Chi Lung	947,884	—	—	947,884	1%
Mr. Lam Ming Leung	10,000	—	—	10,000	—

*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 nor their associates had any interests or short positions in any shares or underlying shares of the Company or its associated corporations as defined in Part XV of the SFO at 31 March 2005.

# Directors' Report

## 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.

## Directors' Interests in Contracts of Significance

Other than as disclosed in note 27 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.

## Substantial Shareholders

At 31 March 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests of certain directors disclosed under the section headed "Directors' Interests in Securities" above, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

Name of substantial shareholder	Number of ordinary shares held		Percentage of issued share capital of the Company
	Direct interest	Indirect interest	
Eaver Company Limited	2,007,628	47,203,445 (Note)	36%
Kian Nan Financial Limited	47,203,445	—	35%
Fu Nan Enterprises Company Limited	11,999,661	—	9%

*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 relevant interests or short positions in the issued share capital of the Company at 31 March 2005.

## 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.

# Directors' Report

## 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 2005, the Company's reserves available for distribution amounted to HK\$482,755,000.

## Emolument Policy

The emolument policy of the employees of the Group is set up by the Remuneration and Nomination Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration and Nomination Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

## Sufficiency of Public Float

Based on the information publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 March 2005.

## Donations

During the year, the Group made charitable and other donations amounting to HK\$227,000.

## 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, 30 June 2005