

# Directors' Report

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (collectively referred to as "the Group") for the year ended 31 March 2006.

## 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 35 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 24.

An interim dividend of HK 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 HK 7 cents per share and a special dividend of HK 2 cents per share, amounting to HK\$12,150,000, to the shareholders whose names appear on the register of members on 11 August 2006, and the retention of the remaining profit for the year of HK\$145,827,000.

## Investment Properties

Details of movements in investment properties of the Group during the year are set out in note 13 to the financial statements.

## Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group and the Company during the year are set out in note 14 to the financial statements.

## Distributable Reserves of The Company

As at 31 March 2006, the Company's reserves available for distribution to shareholders comprised the retained profits of HK\$478,797,000 (2005: HK\$482,755,000). Details of the Company's distributable reserves are set out in note 27 to the financial statements.

## 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. Oen Min Tjin

(Re-designated from Independent Non-executive Director  
to Executive Director on 16 June 2006)

# Directors' Report

## Directors (Continued)

### *Non-executive Directors*

Mr. Lu Yong Lee

Mr. Lee Ka Sze, Carmelo

### *Independent Non-executive Directors*

Mr. Gan Khai Choon

Mr. Lam Ming Leung

Mr. Leung Man Chiu, Lawrence (appointed on 16 June 2006)

The Company's Articles of Association were amended after the shareholders' approval at the Annual General Meeting ("AGM") held on 12 August 2005, to effect the 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 Articles 78 and 79 of the Company's Articles of Association, Mr. Lu Sin, Mr. Lu Chi Lung and Mr. Gan Khai Choon shall retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

In accordance with Article 83 of the Company's Articles of Association, Mr. Leung Man Chiu, Lawrence will retire at the forthcoming AGM and, being eligible, offers himself for re-election.

No director of the Company proposing for re-election at the forthcoming AGM 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' Report

## Directors' Interests in Securities

At 31 March 2006, 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	Personal interests	Number of issued ordinary shares of the Company held (long position)		Total	Percentage of issued share capital of the Company
		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, chief executives 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 2006.

## 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. In addition, none of the directors, or 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

Other than as disclosed in note 33 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' Report

## Substantial Shareholders

At 31 March 2006, 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 issued 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 2006.

## Major Customers and Suppliers

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

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

At no time during the year did the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) have any interest in any of the Group's five largest customers.

## 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.

# Directors' Report

## Appointment of Independent Non-executive Directors

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

## 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 2006.

## Donations

During the year, the Group made charitable and other donations amounting to HK\$233,000.

## 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, 7 July 2006