

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 19/F., Lu Plaza, 2 Wing Yip Street, Kwun Tong, Kowloon on Thursday, 30 August 2001 at 12:00 noon for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 March 2001.
2. To declare a final dividend.
3. To re-elect Directors.
4. To re-appoint Auditors and to authorise the Directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:
 - (i) **“THAT** a general mandate be and is hereby unconditionally given to the Directors of the Company to issue, allot and dispose of additional shares in the capital of the Company not exceeding 20 per cent of the existing issued share capital of the Company until the next Annual General Meeting.”
 - (ii) **“THAT:**
 - (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$1 each in the capital of the Company in accordance with all applicable laws, rules and regulations be and is hereby generally and unconditionally approved;
 - (b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution, and the said approval shall be limited accordingly; and
 - (c) for the purposes of this Resolution, “Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earlier of:
 - (1) the conclusion of the next Annual General Meeting of the Company;
 - (2) the expiration of the period within which the next Annual General Meeting of the Company is required by the laws to be held; and
 - (3) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

Notice of Annual General Meeting

- (iii) “**THAT** the general mandate granted to the Directors of the Company to issue, allot and dispose of additional shares pursuant to Ordinary Resolution 5(i) set out in the Notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution 5(ii) set out in the Notice convening this meeting, provided that such amount shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company at the date of the said Resolution.”

6. To transact any other ordinary business.

By order of the Board

Lam Yeung Tak

Secretary

Hong Kong, 13 July 2001

NOTES:

- (1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not also be a member. The instrument appointing a proxy must be deposited at the registered office of the Company not less than 48 hours before the time appointed for holding the meeting.
- (2) The Register of Members of the Company will be closed from 23 August 2001 to 30 August 2001, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Standard Registrars Limited, 5/F., Wing On Centre, 111 Connaught Road Central, Hong Kong, for registration not later than 4:00 p.m. on 22 August 2001.
- (3) Subject to approval by the general meeting, the final dividend will be paid on 31 August 2001 to shareholders on register at 30 August 2001.
- (4) Members are recommended to read Appendix which contains important information concerning Resolutions 5(ii) and (iii).

Corporate Information

BOARD OF DIRECTORS

Lu Sin	<i>Chairman & Managing Director</i>
Lui Chi Lung	<i>Executive Director</i>
Wong Ker Lee *	
Chow Ming Shan *	
Lu Yong Lee *	
Gan Khai Choon #	
Lee Ka Sze, Carmelo #	

* *Non-executive directors*

Independent non-executive directors

SECRETARY

Lam Yeung Tak

BANKERS

The Hongkong and Shanghai Banking Corporation Limited
The Sanwa Bank Limited
The China State Bank, Limited
The National Commercial Bank, Limited

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu

REGISTERED OFFICE

19th Floor, Lu Plaza
2 Wing Yip Street
Kwun Tong
Kowloon
Hong Kong

REGISTRARS AND TRANSFER OFFICE

Standard Registrars Limited
5th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Biographical Information of Directors and Senior Executives

EXECUTIVE DIRECTORS

Mr. Lu Sin, aged 82, the founder of the Group and the Chairman and Managing Director of the Company, is also the Chairman and Managing Director of Kian Nan Financial Limited, the Vice-Chairman and Managing Director of Kian Nan Trading Co Limited, the Vice-Chairman of Hua Tong Union Co Limited of Japan and the Chairman of Nansin (1964) Pte Limited of Singapore. He has over 45 years experience in public godown operation, property development, textile industry and international trading. Mr. Lu is a Director of The University of Hong Kong Foundation for Educational Development and Research Limited, the Honorary President of Fujian Hong Kong Economic Development Association Limited and the Honorary President of Fujian Association of Enterprises with Foreign Investment. He was appointed an Advisor on Hong Kong Affairs to the Government of the People's Republic of China and a member of the Selection Committee for the First Government of the Hong Kong Special Administrative Region. Mr. Lu is also an Honorary Professor of the Post-graduate School of the Chinese Academy of Social Science and an Honorary Fellow of The University of Hong Kong.

Mr. Lui Chi Lung, aged 49, has been an Executive Director of the Company since 1990. He is also a Director of Kian Nan Financial Limited. Mr. Lui has over 25 years experience in public godown operation and textile industry. He is the son of the Chairman, Mr. Lu Sin.

NON-EXECUTIVE DIRECTORS

Mr. Wong Ker Lee, aged 90, has been a Director of the Company since 1972. He is also the Chairman of Tai Cheng International (Holdings) Limited and Managing Director of Asia Insurance Co Limited. He has over 45 years experience in industry and security trading. Mr. Wong is a member of the Standing Committee of the Chinese People's Political Consultative Committee and has been awarded the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region.

Mr. Chow Ming Shan, aged 80, has been a Director of the Company since 1988. He is also an Executive Director of Winsor Industrial Corporation Limited and Winsor Properties Holdings Limited (both companies are listed in The Stock Exchange of Hong Kong Limited) and Managing Director of South China Bleaching and Dyeing Factory Limited. Mr. Chow has extensive experience in textile and dyeing industry.

Mr. Lu Yong Lee, aged 62, has been a Director of the Company since 1989. He is also a Director of SEA Holdings Limited (a company listed in The Stock Exchange of Hong Kong Limited) and Kian Nan Financial Limited. Mr. Lu has over 35 years experience in property development and international trading.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gan Khai Choon, aged 55, has been a Director of the Company since 1990. He is also a Director of City e-Solutions Limited (formerly known as CDL Hotels International Limited, a company listed in The Stock Exchange of Hong Kong Limited) and Managing Director of Hong Leong International (Hong Kong) Limited. Mr. Gan has extensive experience in property development, hotel management and international trading.

Biographical Information of Directors and Senior Executives

Mr. Lee Ka Sze, Carmelo, aged 41, has been a Director of the Company since 2000. Mr. Lee is a partner of Woo, Kwan, Lee & Lo. He received his Bachelor of Laws degree and the Postgraduate Certificate in Laws from The University of Hong Kong. Mr. Lee is also an Independent Non-Executive Director of several listed public companies in Hong Kong, namely China Everbright International Limited, China Pharmaceutical Enterprise & Investment Corporation Limited, Pak Fah Yeow International Limited, Termbray Industries International (Holdings) Limited, Tern Properties Co. Limited, Yugang International Limited, Yunnan Enterprises Holdings Limited, SIIC Medical Science and Technology (Group) Limited, Prestige Properties Holdings Limited, The Cross-Harbour (Holdings) Limited and Hopewell Holdings Limited. Mr. Lee is also a member of the listing committee of the main board of The Stock Exchange of Hong Kong Limited.

SENIOR EXECUTIVES

Mr. Lam Yeung Tak, aged 66, has been Company Secretary since 1978 and General Manager of the Company since 1993. He is also a Director of a number of the Group's subsidiary companies. Mr. Lam has over 30 years experience in company secretarial and administrative work.

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.

Chairman's Statement

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.

Chairman's Statement

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

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.

Directors' Report

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.

Directors' Report

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.

Directors' Report

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.

Directors' Report

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

Auditors' Report

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

To the members of
Safety Godown Company, Limited
安全貨倉有限公司
(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 16 to 38 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 13 July 2001

Consolidated Income Statement

for the year ended 31 March 2001

	<i>Notes</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover	3	102,276	95,790
Other revenue		8,293	11,503
Staff costs		(24,666)	(26,140)
Depreciation		(6,806)	(9,434)
Net unrealised gain on trading securities		789	772
Gain on disposal of trading securities		562	144
Other operating expenses		(19,127)	(23,878)
Profit from operations	4	61,321	48,757
Finance costs	5	(10,490)	(11,060)
Profit before taxation		50,831	37,697
Taxation	8	(6,218)	(6,118)
Profit before minority interests		44,613	31,579
Minority interests		–	(985)
Profit for the year	9	44,613	30,594
Dividends	10	16,200	29,700
Earnings per share	11	HK\$0.33	HK\$0.23

Balance Sheets

at 31 March 2001

	Notes	THE GROUP		THE COMPANY	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Non-current assets					
Investment properties	12	723,000	723,000	–	–
Property, plant and equipment	13	102,952	109,603	570	1,610
Investments in subsidiaries	14	–	–	684,460	671,178
Investments in securities	15	28,370	38,943	9,657	13,311
		<u>854,322</u>	<u>871,546</u>	<u>694,687</u>	<u>686,099</u>
Current assets					
Trade and other receivables	16	10,831	10,476	4,715	4,778
Investments in securities	15	9,410	7,339	6,236	4,456
Taxation recoverable		174	29	–	–
Dividend receivable		–	–	12,000	–
Pledged bank deposits		35,000	30,000	35,000	30,000
Bank balances and cash		25,718	12,435	10,265	154
		<u>81,133</u>	<u>60,279</u>	<u>68,216</u>	<u>39,388</u>
Current liabilities					
Trade and other payables		39,762	39,285	13,936	13,395
Amount due to a director		–	6	–	–
Amounts due to subsidiaries		–	–	17,072	85
Taxation payable		2,955	2,032	1,242	1,667
Bank borrowings	17	152,883	158,081	30,800	30,278
Dividend payable		9,450	18,900	9,450	18,900
		<u>205,050</u>	<u>218,304</u>	<u>72,500</u>	<u>64,325</u>
Net current liabilities		<u>(123,917)</u>	<u>(158,025)</u>	<u>(4,284)</u>	<u>(24,937)</u>
		<u>730,405</u>	<u>713,521</u>	<u>690,403</u>	<u>661,162</u>
Capital and reserves					
Share capital	18	135,000	135,000	135,000	135,000
Reserves	19	465,505	437,089	536,957	495,978
Revaluation reserves	20	126,170	137,592	(5,369)	(1,715)
		<u>726,675</u>	<u>709,681</u>	<u>666,588</u>	<u>629,263</u>
Non-current liabilities					
Deferred taxation	21	3,730	3,840	–	–
Loan from a subsidiary	22	–	–	23,815	31,899
		<u>3,730</u>	<u>3,840</u>	<u>23,815</u>	<u>31,899</u>
		<u>730,405</u>	<u>713,521</u>	<u>690,403</u>	<u>661,162</u>

The financial statements on pages 16 to 38 were approved by the Board of Directors on 13 July 2001 and are signed on its behalf by:

LU SIN
Director

LUI CHI LUNG
Director

Consolidated Statement of Recognised Gains and Losses

for the year ended 31 March 2001

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Revaluation (loss) gain on investments in securities	(10,696)	5,168
Revaluation loss on investment properties	(726)	(2,713)
Exchange differences arising on translation of overseas operations	3	6
Net (losses) gains not recognised in the consolidated income statement	(11,419)	2,461
Profit for the year	44,613	30,594
Total recognised gains	33,194	33,055
Elimination against reserves of goodwill arising on acquisition of additional interest in a subsidiary	—	(8,868)
	<u>33,194</u>	<u>24,187</u>

Consolidated Cash Flow Statement

for the year ended 31 March 2001

	Notes	2001 HK\$'000	2000 HK\$'000
Net cash inflow from operating activities	23	61,718	38,140
Returns on investments and servicing of finance			
Interest paid		(10,684)	(13,757)
Interest received		2,505	3,159
Dividends received from listed investments		2,778	2,553
Dividends paid to shareholders		(25,650)	(24,300)
Dividends paid to minority interests		–	(750)
Net cash outflow from returns on investments and servicing of finance		(31,051)	(33,095)
Taxation			
Hong Kong Profits Tax paid		(5,550)	(5,481)
Hong Kong Profits Tax refunded		–	211
Net taxation paid		(5,550)	(5,270)
Investing activities			
Purchases of property, plant and equipment		(152)	(1,525)
Proceeds from disposal of property, plant and equipment		85	50
Additions of investment properties		(726)	(2,713)
Additions of investment in securities		(2,047)	(2,786)
Proceeds from disposal of investment in securities		1,204	144
Acquisition of additional interest in a subsidiary		–	(21,530)
(Increase) decrease in pledged bank deposits		(5,000)	592
Net cash outflow from investing activities		(6,636)	(27,768)
Net cash inflow (outflow) before financing		18,481	(27,993)
Financing			
Repayments of long-term bank loan	24	–	(7,500)
Increase (decrease) in cash and cash equivalents		18,481	(35,493)
Cash and cash equivalents at beginning of the year		(145,646)	(110,153)
Cash and cash equivalents at end of the year		(127,165)	(145,646)
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		25,718	12,435
Bank loans and overdrafts		(152,883)	(158,081)
		(127,165)	(145,646)

Notes to the Financial Statements

for the year ended 31 March 2001

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited.

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.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for revaluation of investment properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiary that is other than temporary.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the net separable assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the net separable assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

On disposal of a subsidiary, the attributable amount of goodwill or capital reserve previously written off against or credited to reserves at the time of acquisition is included in the determination of the profit or loss on disposal.

Notes to the Financial Statements

for the year ended 31 March 2001

Turnover

Turnover represents the godown operating income and gross rental received and receivable during the year.

Revenue recognition

Godown operating income is recognised on an accrual basis when the godown facilities are utilised and services are rendered.

Coolie hire income is recognised upon the rendering of the relevant services.

Rental income, including rental invoiced in advance from properties under operating leases, are recognised on a straight line basis over the term of the relevant lease.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Notes to the Financial Statements

for the year ended 31 March 2001

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line basis, at the following rates per annum:

Godown premises in Hong Kong

Land	Over the unexpired term of the lease
Buildings	Shorter of the useful life of the buildings and the unexpired term of the land lease

Office premises and carpark in the Mainland China

under medium-term land use right	2%
Furniture, fixtures and equipment	25%
Motor vehicles	25%

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On the disposal of investment properties, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less, depreciation is provided on the then carrying value over the remaining term of the lease.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains or losses are included in the net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the securities are disposed of or are determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

Notes to the Financial Statements

for the year ended 31 March 2001

Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries which are denominated in foreign currencies are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advances.

3. TURNOVER AND CONTRIBUTION TO PROFIT FROM OPERATIONS

The Group's turnover and contribution to operating profit for the year ended 31 March 2001, analysed by principal activity, were as follows:

	Turnover		Contribution to profit from operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activity				
Godown operation	57,417	52,145	25,532	22,579
Rental income	44,859	43,645	34,438	25,262
	<u>102,276</u>	<u>95,790</u>	<u>59,970</u>	<u>47,841</u>
Net unrealised gain on trading securities			789	772
Gain on disposal of trading securities			562	144
			<u>61,321</u>	<u>48,757</u>

More than 90% of the Group's turnover and profit from operations are derived from Hong Kong.

Notes to the Financial Statements

for the year ended 31 March 2001

4. PROFIT FROM OPERATIONS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Auditors' remuneration	631	531
Loss on disposal of property, plant and equipment	–	20
and after crediting:		
Bank interest income	2,505	3,159
Dividend income from investments in securities (listed)	2,778	2,553
Gain on disposal of property, plant and equipment	85	–
Gross rent from investment properties	44,859	43,645
Less: outgoings	<u>(6,075)</u>	<u>(10,231)</u>
Net rental income	38,784	33,414

5. FINANCE COSTS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interest on:		
Bank loans and overdrafts wholly repayable within five years	10,490	10,800
Other loans wholly repayable within five years	<u>–</u>	<u>260</u>
	<u>10,490</u>	<u>11,060</u>

Notes to the Financial Statements

for the year ended 31 March 2001

6. DIRECTORS' EMOLUMENTS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Directors' fees		
Executive	70	130
Non-executive	70	70
Independent non-executive	100	40
Other emoluments		
Executive directors		
Salaries and other emoluments	4,018	3,750
Performance-related bonuses	358	225
Total emoluments	<u>4,616</u>	<u>4,215</u>

The emoluments of directors were within the following bands:

	Number of directors	
	2001	2000
HK\$ nil to HK\$ 1,000,000	6	7
HK\$ 1,000,001 to HK\$ 1,500,000	1	1
HK\$ 1,500,001 to HK\$ 2,000,000	–	–
HK\$ 2,000,001 to HK\$ 2,500,000	–	–
HK\$ 2,500,001 to HK\$ 3,000,000	1	1

7. EMPLOYEES' EMOLUMENTS

Of the five highest-paid emoluments in the Group, two (2000: two) were executive directors of the Company whose emoluments are included in disclosure in note 6 above. The emoluments of the remaining three (2000: three) individuals were as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Salaries and other benefits	1,765	1,908
Performance-related bonus	83	46
	<u>1,848</u>	<u>1,954</u>

The aggregate emoluments of each of the above-mentioned three (2000: three) employees during the year were within the HK\$1,000,000 band.

Notes to the Financial Statements

for the year ended 31 March 2001

8. TAXATION

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax for the year	7,419	6,385
Overprovision in prior year	<u>(1,091)</u>	<u>(287)</u>
	6,328	6,098
Deferred taxation (credit) charge (<i>note 21</i>)	<u>(110)</u>	<u>20</u>
	<u>6,218</u>	<u>6,118</u>

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profits for the year.

Details of the deferred taxation for the year are set out in note 21.

9. PROFIT FOR THE YEAR

Of the Group's profit for the year of HK\$44,613,000 (2000: HK\$30,594,000), a profit of approximately HK\$57,179,000 (2000: HK\$49,205,000) has been dealt with in the financial statements of the Company.

10. DIVIDENDS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interim, paid – 5 cents (2000: 8 cents) per ordinary share	6,750	10,800
Final, proposed – 7 cents (2000: 14 cents) per ordinary share	<u>9,450</u>	<u>18,900</u>
	<u>16,200</u>	<u>29,700</u>

The final dividend has been proposed by the directors and is subject to the approval by shareholders in the annual general meeting.

11. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of approximately HK\$44,613,000 (2000: HK\$30,594,000) and on 135,000,000 shares in issue throughout the two years.

Notes to the Financial Statements

for the year ended 31 March 2001

12. INVESTMENT PROPERTIES

	THE GROUP <i>HK\$'000</i>
At 1 April 2000	723,000
Additions	726
Revaluation decrease	(726)
	<hr/>
At 31 March 2001	<u>723,000</u>

The investment properties of the Group were revalued at 31 March 2001 on an open market value basis by Messrs. Jones Lang LaSalle Limited, Chartered Surveyors. The deficit arising on the revaluation, amounting to approximately HK\$726,000, has been charged directly to the investment property revaluation reserve.

The carrying amount of investment properties comprises land in Hong Kong as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Held under:		
Long lease	3,000	3,000
Medium-term lease	720,000	720,000
	<hr/> 723,000 <hr/>	<hr/> 723,000 <hr/>

The Group has pledged investment properties having a net book value of approximately HK\$720,000,000 to secure banking facilities obtained.

All of the investment properties of the Group are rented out under operating leases.

Notes to the Financial Statements

for the year ended 31 March 2001

13. PROPERTY, PLANT AND EQUIPMENT

	Godown premises in Hong Kong under long leases <i>HK\$'000</i>	Godown premises in Hong Kong under medium- term leases <i>HK\$'000</i>	Office premises and carparks in Mainland China under medium-term land use right <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
COST						
At 1 April 2000	152,396	57,021	1,664	16,595	3,408	231,084
Exchange adjustments	–	–	4	–	1	5
Additions	–	–	19	133	–	152
Disposals	–	–	–	–	(263)	(263)
At 31 March 2001	152,396	57,021	1,687	16,728	3,146	230,978
DEPRECIATION						
At 1 April 2000	59,130	44,551	266	14,251	3,283	121,481
Exchange adjustments	–	–	1	–	1	2
Provided for the year	4,797	315	34	1,535	125	6,806
Eliminated on disposals	–	–	–	–	(263)	(263)
At 31 March 2001	63,927	44,866	301	15,786	3,146	128,026
NET BOOK VALUE						
At 31 March 2001	88,469	12,155	1,386	942	–	102,952
At 31 March 2000	93,266	12,470	1,398	2,344	125	109,603

Notes to the Financial Statements

for the year ended 31 March 2001

	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY			
COST			
At 1 April 2000	6,544	2,477	9,021
Additions	93	–	93
At 31 March 2001	6,637	2,477	9,114
DEPRECIATION			
At 1 April 2000	4,999	2,412	7,411
Provided for the year	1,068	65	1,133
At 31 March 2001	6,067	2,477	8,544
NET BOOK VALUE			
At 31 March 2001	570	–	570
At 31 March 2000	1,545	65	1,610

14. INVESTMENTS IN SUBSIDIARIES

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Investments at cost, unlisted shares	31,780	31,780
Loans to subsidiaries	813,312	796,949
Impairment loss recognised	(160,632)	(157,551)
	684,460	671,178

Except for the loans of HK\$775,680,000 (2000: HK\$772,432,000), which bear interest at 3% to prime rate per annum, the loans to subsidiaries are unsecured, interest free and have no fixed terms for repayment.

Details of the principal subsidiaries are set out in note 29.

Notes to the Financial Statements

for the year ended 31 March 2001

15. INVESTMENTS IN SECURITIES

	Trading securities		Non-trading securities		Total	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
THE GROUP						
Equity securities						
Listed in Hong Kong	9,410	7,339	28,335	38,908	37,745	46,247
Unlisted	–	–	35	35	35	35
	<u>9,410</u>	<u>7,339</u>	<u>28,370</u>	<u>38,943</u>	<u>37,780</u>	<u>46,282</u>
Market value of listed securities	<u>9,410</u>	<u>7,339</u>	<u>28,335</u>	<u>38,908</u>	<u>37,745</u>	<u>46,247</u>
THE COMPANY						
Equity securities						
Listed in Hong Kong	6,236	4,456	9,657	13,311	15,893	17,767
Market value of listed securities	<u>6,236</u>	<u>4,456</u>	<u>9,657</u>	<u>13,311</u>	<u>15,893</u>	<u>17,767</u>

16. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit period of 60 days to its trade customers.

An aged analysis of trade customers of the Group and the Company are as follows:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within 60 days	6,031	5,542	2,813	3,249
61 – 90 days	429	268	412	268
Over 90 days	335	–	310	–
	<u>6,795</u>	<u>5,810</u>	<u>3,535</u>	<u>3,517</u>
Other receivable	4,036	4,666	1,180	1,261
	<u>10,831</u>	<u>10,476</u>	<u>4,715</u>	<u>4,778</u>

Notes to the Financial Statements

for the year ended 31 March 2001

17. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Short term bank loans	141,000	156,200	30,000	30,000
Bank overdrafts	11,883	1,881	800	278
	152,883	158,081	30,800	30,278
Represented by:				
Secured	152,083	157,803	30,000	30,000
Unsecured	800	278	800	278
	152,883	158,081	30,800	30,278

18. SHARE CAPITAL

	2001 & 2000 Number of shares	2001 & 2000 <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$1 each	<u>200,000,000</u>	<u>200,000</u>
Issued and fully paid:		
Ordinary shares of HK\$1 each	<u>135,000,000</u>	<u>135,000</u>

There were no movements in the share capital of the Company for the two years ended 31 March 2000 and 2001.

Notes to the Financial Statements

for the year ended 31 March 2001

19. RESERVES

	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
At 1 April 1999	43,216	33	11	401,797	445,057
Exchange realignment	–	6	–	–	6
Arising upon acquisition of additional interest in a subsidiary	–	–	(11)	(8,857)	(8,868)
Profit for the year	–	–	–	30,594	30,594
Dividends	–	–	–	(29,700)	(29,700)
At 31 March 2000	43,216	39	–	393,834	437,089
Exchange realignment	–	3	–	–	3
Profit for the year	–	–	–	44,613	44,613
Dividends	–	–	–	(16,200)	(16,200)
At 31 March 2001	<u>43,216</u>	<u>42</u>	<u>–</u>	<u>422,247</u>	<u>465,505</u>
THE COMPANY					
At 1 April 1999	43,216	–	–	433,257	476,473
Profit for the year	–	–	–	49,205	49,205
Dividends	–	–	–	(29,700)	(29,700)
At 31 March 2000	43,216	–	–	452,762	495,978
Profit for the year	–	–	–	57,179	57,179
Dividends	–	–	–	(16,200)	(16,200)
At 31 March 2001	<u>43,216</u>	<u>–</u>	<u>–</u>	<u>493,741</u>	<u>536,957</u>

Notes to the Financial Statements

for the year ended 31 March 2001

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
(a) Profits retained by:		
The Company		
As stated in the balance sheet	493,741	452,762
Less: profit on transfer of property to a subsidiary	<u>(141,113)</u>	<u>(141,839)</u>
	352,628	310,923
Subsidiaries	<u>69,619</u>	<u>82,911</u>
	<u>422,247</u>	<u>393,834</u>
(b) At the balance sheet date, the Company's reserves available for distribution to shareholders amounted to approximately HK\$352,628,000 (2000: HK\$310,923,000).		

20. REVALUATION RESERVES

	Investment properties <i>HK\$'000</i>	Investments in securities <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP			
At 1 April 1999	147,179	(12,042)	135,137
Revaluation (decrease) increase	<u>(2,713)</u>	<u>5,168</u>	<u>2,455</u>
At 31 March 2000	144,466	(6,874)	137,592
Revaluation decrease	<u>(726)</u>	<u>(10,696)</u>	<u>(11,422)</u>
At 31 March 2001	<u>143,740</u>	<u>(17,570)</u>	<u>126,170</u>
			Investments in securities <i>HK\$'000</i>
THE COMPANY			
At 1 April 1999			(3,542)
Revaluation increase			<u>1,827</u>
At 31 March 2000			(1,715)
Revaluation decrease			<u>(3,654)</u>
At 31 March 2001			<u>(5,369)</u>

Notes to the Financial Statements

for the year ended 31 March 2001

21. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Balance at beginning of the year	3,840	3,820	–	–
(Credit) charge for the year (note 8)	(110)	20	–	–
Balance at end of the year	<u>3,730</u>	<u>3,840</u>	<u>–</u>	<u>–</u>

At the balance sheet date, the major components of the deferred taxation provided and unprovided are as follows:

	Provided		Unprovided	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000

THE GROUP

Tax effect of timing differences because of:

(Excess) shortfall of tax allowances				
over depreciation	(3,730)	(3,840)	1,289	1,156
Tax losses	–	–	15,855	14,478
Other timing differences	–	–	1,502	1,160
	<u>(3,730)</u>	<u>(3,840)</u>	<u>18,646</u>	<u>16,794</u>

THE COMPANY

Tax effect of timing differences because of:

(Excess) shortfall of tax allowances				
over depreciation	–	–	85	(59)
Other timing differences	–	–	898	745
	<u>–</u>	<u>–</u>	<u>983</u>	<u>686</u>

A deferred taxation asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

Notes to the Financial Statements

for the year ended 31 March 2001

The amount of the unprovided deferred taxation credit (charge) for the year is as follows:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences because of:				
(Excess) shortfall of tax allowances				
over depreciation	133	526	144	(15)
Tax losses arising	1,377	4,721	–	–
Other timing differences	342	(1,350)	153	47
	<u>1,852</u>	<u>3,897</u>	<u>297</u>	<u>32</u>

Deferred taxation has not been provided on the revaluation surplus arising on the revaluation of investment properties or investments in securities as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation does not constitute timing difference for tax purposes.

22. LOAN FROM A SUBSIDIARY

The amount is unsecured, non-interest-bearing and has no fixed terms of repayment. Repayment of the amount will not be demanded within the next twelve months from the balance sheet date. Accordingly, the amount is shown as non-current.

23. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Profit before taxation	50,831	37,697
Interest expenses	10,490	11,060
Interest income	(2,505)	(3,159)
Dividend income	(2,778)	(2,553)
Depreciation	6,806	9,434
(Gain) loss on disposal of property, plant and equipment	(85)	20
Net unrealised gain on investments in securities	(789)	(772)
Gain on disposal of investments in securities	(562)	(144)
(Increase) decrease in trade and other receivables	(355)	5,046
Increase (decrease) in trade and other payables	671	(18,495)
(Decrease) increase in amount due to a director	(6)	6
	<u>61,718</u>	<u>38,140</u>
Net cash inflow from operating activities		

Notes to the Financial Statements

for the year ended 31 March 2001

24. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Non-current bank loans <i>HK\$'000</i>
At 1 April 1999	7,500
Repayment	(7,500)
At 31 March 2000 and 2001	—

25. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had contingent liabilities not provided for in the financial statements as follows:

	THE GROUP		THE COMPANY	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Guarantees in lieu of utility deposits	982	1,202	103	103
Guarantees to a subsidiary in respect of banking facilities	—	—	10,000	—
	982	1,202	10,103	103

26. PLEDGE OF ASSETS

The Company's bank deposits of HK\$35,000,000 (2000: HK\$30,000,000) were pledged to secure a short-term bank loan of HK\$30,000,000 (2000: HK\$30,000,000) and banking facilities granted to a subsidiary.

In addition, the Group's properties, with an aggregate book value of HK\$733,078,000 (2000: HK\$826,636,000), were mortgaged or pledged to secure other banking facilities of HK\$152,083,000 (2000: HK\$157,803,000) granted to the Group.

Notes to the Financial Statements

for the year ended 31 March 2001

27. LONG SERVICE PAYMENT

The Group does not have any formal retirement scheme before participating in the Mandatory Provident Fund, but makes provision for long service payments on an annual basis. The directors are of the opinion that the provision at the balance sheet date is sufficient to cover the Group's probable obligations under the Employment Ordinance. The level of such provision will be reviewed on an annual basis and adjusted as appropriate. Movements in the provision for long service payments during the year were as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Balance at beginning of the year	8,126	6,315
Additional provision	1,658	2,256
Utilisation during the year	<u>(939)</u>	<u>(445)</u>
Balance at end of the year	<u>8,845</u>	<u>8,126</u>

In addition to the provision for long service payments, the Group has contributed to Mandatory Provident Fund for certain employees commencing from 1 December 2000 and the amount paid for the year is HK\$251,000.

28. RELATED PARTY TRANSACTIONS

During the year, the Group received a reimbursement of expenses amounting to HK\$240,000 (2000: HK\$240,000) from a company in which a director of the Company has a beneficial interest. The reimbursement covers the expenses for a share of office premises and general administrative services provided to the related company, and which is determined by reference to the prevailing market rates and the estimated costs incurred by the Company.

Notes to the Financial Statements

for the year ended 31 March 2001

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The directors are of the opinion that a complete list of the particulars of all subsidiaries of the Company will be of excessive length and therefore only the particulars of the principal subsidiaries affecting results or net assets of the Group are shown as follows:

Name of company	Place of incorporation/ registration	Class of share held	Paid up issued ordinary share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
				Directly	Indirectly	
Chi Kee Investment Company Limited	Hong Kong	Ordinary	HK\$500,000	100%	–	Property investment
Chivas Godown Company Limited	Hong Kong	Ordinary	HK\$10,000,000	100%	–	Godown ownership and operation
Gaylake Limited	Hong Kong	Ordinary	HK\$1,000	100%	–	Godown ownership
On Luen Development Company Limited	Hong Kong	Ordinary	HK\$100,000	100%	–	Property investment and securities investment
Safety Godown (China) Development Company Limited	Hong Kong	Ordinary	HK\$2	100%	–	Investment holding
Genlink Development Limited	Hong Kong	Ordinary	HK\$2	100%	–	Property investment
East Asia (Fujian) Property Development Co. Ltd	Mainland China	Capital contribution	RMB9,300,078	–	100%	Property investment
Rich China Development Limited	Hong Kong	Ordinary	HK\$2	100%	–	Securities investment

Notes:

1. All the subsidiaries have no loan capital subsisting at the end of the year or at any time during the year.
2. A complete list of all the subsidiaries of the Company will be annexed to the Company's next annual return.

Financial Summary

Summary of the results, assets and liabilities of the Group for the past five years are as follows:

	For the year ended 31 March				
	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000
RESULTS					
Turnover	77,055	84,046	99,945	95,790	102,276
Operating profit from ordinary activities	37,429	23,676	33,606	36,781	49,480
Net unrealised gain (loss) on trading in securities	–	(9,795)	(1,295)	772	789
Gain (loss) on disposal of trading in securities	–	3,661	(5,382)	144	562
Gain (loss) on disposal of property, plant and equipment	62,219	–	–	–	–
Profit before taxation	99,648	17,542	26,929	37,697	50,831
Taxation	(4,184)	(4,778)	(3,815)	(6,118)	(6,218)
Profit before minority interests	95,464	12,764	23,114	31,579	44,613
Minority interests	(1,818)	(1,227)	(1,261)	(985)	–
Profit for the year	93,646	11,537	21,853	30,594	44,613
As at 31 March					
	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000
ASSETS AND LIABILITIES					
Total assets	786,830	1,143,787	1,139,221	931,825	935,455
Total liabilities	(195,049)	(203,548)	(411,600)	(222,144)	(208,780)
Minority interests	(12,188)	(11,915)	(12,427)	–	–
Shareholders' fund	579,593	928,324	715,194	709,681	726,675

Particulars of Major Properties

Particulars of properties which are held by the Group as at 31 March 2001 are as follows:

Location	Lease term	Effective interest held	Approximate floor area attributable to the Group <i>sq.ft.</i>	Type
(a) Industrial/godown premises in Hong Kong:				
132-140 Kwok Shui Road, Kwai Chung, New Territories, Hong Kong	Medium-term lease	100%	421,000	Industrial/godown premises
60 Ka Yip Street, Chai Wan, Hong Kong	Long lease	100%	435,000	Godown premises
Block No.D2 (including flat-roof appurtenance) 5th Floor at No.6 Wing Yip Street, Kwun Tong, Kowloon, Hong Kong	Medium-term lease	100%	2,810	Industrial premises
(b) Investment properties in Hong Kong:				
2 Wing Yip Street, Kwun Tong, Kowloon, Hong Kong	Medium-term lease	100%	430,000	Industrial/office
Flat roof on the third floor, five container spaces on the Ground Floor at 56 Ka Yip Street, Chai Wan, Hong Kong	Long lease	100%	6,800	Flat roof/car parking spaces
(c) Office premises and carpark in the Mainland China under medium-term land use right:				
Unit A on the 21st Floor and a carpark on the Ground Floor, International Building, Wusi Road, Fuzhou, Fujian Province, the People's Republic of China	Long lease	100%	4,100 (not including the carpark)	Commercial

Appendix – Explanatory Statement to Repurchase Shares

The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) takes no responsibility for the contents of this Appendix, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Appendix.

GENERAL MANDATE TO REPURCHASE SHARES

The following is the Explanatory Statement required to be sent to shareholders under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) in connection with the proposed general mandate for repurchase of shares to be granted to the Directors.

(a) Exercise of the repurchase mandate

Resolution no. 5(ii) set out in the Notice of Annual General Meeting will, if passed, give a general unconditional mandate to the Directors authorising the repurchase by the Company of up to 10% of the fully paid shares of HK\$1 each in the capital of the Company (“Share”) in issue at the date of the Annual General Meeting, at any time until the end of the Relevant Period as defined in Resolution no. 5(ii)(c) set out in the Notice for the Annual General Meeting to be held on 30 August 2001.

Accordingly, exercise in full of the repurchase mandate (on the basis of 135,000,000 shares in issue as at 20 July 2001, being the latest practicable date prior to the printing of this Appendix and assuming no shares are issued or repurchased prior to the date of the Annual General Meeting) would result in up to 13,500,000 Shares being repurchased by the Company during the Relevant Period.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority from shareholders to enable the Directors to repurchase Shares. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or its earning per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.

(c) Funding of repurchases

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the laws of Hong Kong and the Memorandum and Articles of Association of the Company.

If the repurchase mandate were exercised in full, there could be a material adverse impact on the working capital or gearing position of the Company and its subsidiaries (the “Group”) (as compared with the position disclosed in the audited consolidated financial statements as at 31 March 2001). The Directors therefore do not propose to exercise the repurchase mandate to such an extent unless the Directors determined that such repurchases were, taking account of all relevant factors, in the best interests of the Group.

(d) Directors, their associates and connected persons

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company or its subsidiaries under the repurchase mandate if such repurchase mandate is granted by shareholders.

Appendix – Explanatory Statement to Repurchase Shares

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the laws of Hong Kong.

If as a result of a share repurchase by the Company, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a shareholder, or a group of shareholders acting in concert, could, depending upon the level of increase in shareholding interest(s), obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. In the event that the Company exercises the repurchase mandate in full, the percentage of the votes attaching to the shares collectively owned by Mr. Lu Sin and Eaver Company Limited (currently holding collectively 49.30% of the issued shares of the Company) will increase by more than 5% to 54.77%. Accordingly Mr. Lu Sin and Eaver Company Limited jointly may be obliged to make a general offer for all of the issued shares of the Company not owned by them. However, the Directors have no current intention to exercise the repurchase mandate to such an extent as would give rise to this situation.

No other connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, in the event that the repurchase mandate is approved by shareholders.

(e) Share prices

The Company has not repurchased any of the Shares (whether on the Stock Exchange or otherwise) in the six months preceding this Annual Report. The highest and lowest prices at which Shares of the Company have been traded on the Stock Exchange during each of the previous twelve months were as follows:

	Highest HK\$	Lowest HK\$
2000		
July	—*	—*
August	4.200	4.100
September	4.000	3.800
October	4.100	4.100
November	4.125	4.125
December	—*	—*
2001		
January	3.500	3.375
February	3.400	3.400
March	—*	—*
April	3.400	3.300
May	3.500	3.200
June	3.425	3.400

* There was no transaction during the month.