



Report of the Directors

The directors present herewith their report together with the audited accounts for the year ended 31st December, 2000 which were approved at the board meeting held on the date of this report.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of the subsidiaries are general trading, property investment, ship chartering and real estate agency services. The Group's ship chartering business was discontinued during the year.

An analysis of the Group's turnover and contribution to operating loss for the year by principal activities and markets is set out in note 2 to the accounts.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers accounted for approximately 24% (31.12.1999: 19%) of the Group's turnover for the year. Approximately 5% (31.12.1999: 5%) of the Group's turnover were attributable to the largest customer.

Approximately 48% (31.12.1999: 46%) of the Group's purchases for its trading operation were attributable to the five largest trading operation suppliers with the largest supplier accounted for approximately 17% (31.12.1999: 14%) of the purchases. Due to the nature of the Group's other operations, information on the Group's suppliers for the Group's other operations are not provided as it is considered to be of limited value. None of the directors, their associates or any shareholders (which to the knowledge of the directors owned more than 5% of the Company's share capital) had any beneficial interests in the Group's five largest customers and suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2000 are set out in the consolidated profit and loss account on page 19.

The Board of Directors does not recommend the payment of a dividend.

RESERVES

The movements in reserves of the Group and the Company during the year are set out in note 21 to the accounts.



Report of the Directors *(Cont'd)*

DISTRIBUTABLE RESERVES

At 31st December, 2000, the distributable reserves of the Company calculated under Section 79B of the Companies Ordinance, available for distribution as dividends amounted to approximately HK\$125 million (31.12.1999: HK\$134 million).

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31st December, 2000 are set out in note 10 to the accounts.

FIXED ASSETS

The movements in fixed assets during the year are set out in note 9 to the accounts. Details of the principal properties held for investment purpose are set out on pages 50 and 51.

BORROWINGS

Details of the Group's and the Company's borrowings as at 31st December, 2000 are set out in note 23 to the accounts.

DIRECTORS

The directors of the Company who held office during the year and up to the date of this report were set out below:

Executive directors

Rustom Ho Ming Yu

John Ho Ming Tak

Chiu Chui Yi

Story Chan Che Sum

— appointed on 27th June, 2000

Tan Kee Cheung

— resigned on 10th July, 2000

Independent non-executive directors

Lawrence Yu Kam Kee

David Yu Hon To

In accordance with Article 104(A) of the Company's Articles of Association, Mr. Lawrence Yu Kam Kee retires by rotation at the forthcoming Annual General Meeting, being eligible, offers himself for re-election.

In accordance with Article 95 of the Company's Articles of Association, Mr. Story Chan Che Sum retires at the forthcoming annual general meeting and, being eligible, offers himself for re-election.



Report of the Directors *(Cont'd)*

Brief biographical information of the directors are as follows:

Mr. Rustom Ho Ming Yu, aged 48, is the Chairman of the Group. Mr. Rustom Ho joined the Group in January 1992. He has held senior management positions in the textiles industry for over 20 years and is also the Chairman of Kwong Fong Industries Corporation.

Mr. John Ho Ming Tak, aged 46, is the managing director of the Group. Mr. John Ho joined the Group in November 1991. He has over 23 years' experience in commodities trading and dealing in securities and is also a director of Kwong Fong Industries Corporation. Mr. John Ho is the brother of Mr. Rustom Ho.

Mr. Chiu Chui Yi, aged 52, has been a director of the Company since March 1999. He has 31 years' experience in finance and accounting. He has been the director of Kwong Fong Holdings Limited since July 1992.

Mr. Chan Che Sum Story, aged 41, was appointed as a director of the Company on 27th June, 2000. Mr Chan is a fellow of the Hong Kong Society of Accountants and has over 20 years' experience in accounting and finance.

Mr. Lawrence Yu Kam Kee, MBE, JP, aged 55, has been an independent non-executive director of the Company since November 1994. Mr. Yu is the Vice Chairman of Softbank Investment International (Strategic) Limited, a company listed on The Stock Exchange of Hong Kong Limited. Mr. Yu has over 30 years of senior management experience. He is also the Chairman, Executive Committee of The Community Chest; Vice President of Hong Kong Football Association Limited; Governor of Hong Kong Automobile Association; the Chairman, Campaign Committee of The Road Safety Council.

Mr. David Yu Hon To, aged 52, was appointed as an independent non-executive director of the Company on 7th January, 1999. Mr. Yu is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Society of Accountants. He was a partner of an international accounting firm with extensive experience in corporate finance. Mr. Yu is a founder and director of Management Capital Limited, which specialises in direct investment and financial advisory activities and also on the board of several listed and private companies in Hong Kong.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its holding companies, its subsidiaries or its fellow subsidiaries was a party 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' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.



Report of the Directors (Cont'd)

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31st December, 2000, the interests of directors in the securities of the Company and its associated corporations as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as notified to the Company were as follows:

Ordinary Shares of the Company

Directors	Personal interests	Number of shares held			Total
		Family interests	Corporate interests	Other interests	
Mr. Rustom Ho Ming Yu	—	—	138,347,288*	—	138,347,288
Mr. John Ho Ming Tak	—	600,000	138,347,288*	—	138,947,288
Mr. Story Chan Che Sum	42,000	—	—	—	42,000

* By virtue of the SDI Ordinance, both Mr. Rustom Ho Ming Yu and Mr. John Ho Ming Tak are deemed to have interest in the 138,347,288 shares held by Fulcrest Limited. Interests in the same share have been disclosed by Fulcrest Limited and others as substantial shareholders.

Outstanding Options of the Company

Directors	Number of shares under options granted held under personal interests
Mr. Rustom Ho Ming Yu	6,000,000
Mr. John Ho Ming Tak	6,000,000

The options were granted under the Employees Share Option Scheme approved by the shareholders on 29th March, 1993. The options are exercisable at HK\$0.94 per share at any time prior to 1st September, 2003.

Apart from the share option scheme mentioned above, none of the director (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations (within the meaning of the SDI Ordinance).



Report of the Directors (Cont'd)

SUBSTANTIAL SHAREHOLDERS

At 31st December, 2000, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following substantial shareholders' interests, other than interests of directors disclosed above, amounting to 10% or more of the issued share capital of the Company:

Ordinary Shares of the Company

Substantial shareholders	Number of shares held	
	Direct interest	Deemed interest
Fulcrest Limited	138,347,288	—
Raynor Holdings Limited	—	138,347,288
Seward Holdings Corp.	—	138,347,288
Asian Pacific Investment Corporation	—	138,347,288
Kwong Fong Holdings Limited	710,000	138,347,288
Kwong Fong Industries Corporation	8,680,000	139,057,288
Top Glory Holding Company Limited	45,058,000	—

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of shares in the Company during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.



Report of the Directors (Cont'd)

STAFF RETIREMENT SCHEME

The Group established a defined contribution retirement scheme for all qualified employees in August 1995 (the “Old Scheme”). The Old Scheme was registered under the Occupational Retirement Schemes Ordinance. The assets of the Old Scheme were held separately from the Group and were under the control of an independent trustee. The qualified employees joined the Old Scheme on a voluntary basis. Both the employer and the participating employee contributed 3% of the employee’s basic salary under the Old Scheme. Benefits under the Old Scheme would be fully vested to a participating employee upon the completion of 10 years service with the Group. Any forfeited contributions under the Old Scheme were used by the employer to offset against future contributions. The Old Scheme was terminated on 30th November, 2000 and was replaced by another defined contribution retirement scheme registered under the Mandatory Provident Fund Schemes Ordinance (the “New Scheme”). Upon termination of the Old Scheme, the assets together with the benefits accrued to the members under the Old Scheme were transferred to the New Scheme and unutilized forfeited contribution amounting to HK\$92,976 was refunded to the Group.

The assets of the New Scheme are held separately from the Group and are under the control of an independent trustee. Joining the New Scheme is compulsory for all employees. Under the New Scheme, both the employer and the employee are required to contribute a minimum contribution at 5% of the monthly relevant income of the employee, upto HK\$1,000 per month. For those employees who have been a member of the Old Scheme, in the event that the employer’s mandatory contribution under the New Scheme is less than the employer’s contribution under the Old Scheme, additional voluntary contribution will be made by the employer to the New Scheme make up any short fall. Benefits of the New Scheme are fully vested to the employees.

During the year, forfeited contribution of HK\$138,936 (Fifteen months ended 31.12.1999: HK\$66,699) was available to offset the Group’s contribution under the Old Scheme. No further contribution was required by the Group under the Old Scheme for the year (Fifteen months ended 31.12.1999: contribution of HK\$217,792). The Group made an accrued contribution of HK\$24,585 for December 2000 which would be paid into the New Scheme in February 2001.

FIVE YEAR/PERIOD FINANCIAL INFORMATION

The results, assets and liabilities of the Group for the last five periods as extracted from the audited accounts are as follows:

	Year ended 31.12.2000 HK\$'000	Fifteen months ended 31.12.1999 HK\$'000	Year ended 30.9.1998 HK\$'000	Year ended 30.9.1997 HK\$'000	Year ended 30.9.1996 HK\$'000
(Loss)/Profit after taxation and attributable to shareholders	(100,147)	(51,150)	8,640	56,751	19,533
Total assets	909,197	983,725	1,036,691	1,059,639	774,687
Total liabilities	(380,053)	(362,676)	(339,913)	(225,429)	(226,170)
Minority interests	(1,980)	(1,613)	(1,185)	(156)	—
Net assets	527,164	619,436	695,593	834,054	548,517



Report of the Directors *(Cont'd)*

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the accounting year covered by the annual report. Independent non-executive directors are subject to retirement and re-election at the Annual General Meeting of the Company in accordance with the provisions of the Company's Articles of Association. In the opinion of the directors, this meets the same objective as the Code of Best Practice.

AUDIT COMMITTEE

The written terms of reference which describes 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 both of the external and internal audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr. Yu Hon To, David and Mr. Yu Kam Kee, Lawrence. Two meetings were held during the current financial year.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment and a resolution to this effect will be proposed at the Annual General Meeting.

On behalf of the Board

John Ho Ming Tak

Managing Director

Hong Kong, 14th March, 2001