

The directors present their report together with the audited accounts for the year ended 31st December, 2004.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 27 to the accounts.

An analysis of the Group's turnover, revenue and segment information for the year by geographical segments is set out in Note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 30.

The directors do not recommend the payment of a final dividend for the year ended 31st December, 2004 (2003: 1.0 Hong Kong cent per share).

The directors did not declare any interim dividend for the six months ended 30th June, 2004 (2003: 2.5 Hong Kong cents per share).

RESERVES

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company shall not be distributed to the shareholders if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

As at 31st December, 2004, the Company had distributable reserves amounting to HK\$132,195,000 (2003: HK\$183,795,000), including contributed surplus of HK\$165,739,000 (2003: HK\$165,739,000) which is distributable subject to conditions as set out above.

Movements in the reserves of the Group and the Company during the year are set out in Note 21 to the accounts.

DONATIONS

Charitable donations made by the Group during the year amounted to HK\$36,000.

FIXED ASSETS

Details of the movements in fixed assets of the Group during the year are set out in Note 12 to the accounts.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 20 to the accounts.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in Note 27 to the accounts.

BANK LOANS

Particulars of bank loans of the Group are set out in Note 19 to the accounts.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 6.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SHARE OPTIONS

Under the terms of the share option scheme of the Company adopted on 23rd February, 2000 (the "Old Scheme"), the directors of the Company granted options to certain full-time employees (including executive directors) of the Company or its subsidiaries on 31st August, 2001 to subscribe for a total of 36,000,000 shares in the Company at HK\$0.906 per share. Although the Old Scheme was subsequently terminated and a new share option scheme (the "New Scheme") was adopted on 8th May, 2002, the provisions of the Old Scheme remain in force and all outstanding options granted prior to the said termination continue to be valid and exercisable in accordance therewith.

Details of the New Scheme are as follows:

(i) Purpose

The purpose of the New Scheme is to provide incentives to participants to contribute to the Group and/or to enable the Group to recruit and/or to retain high-calibre employees and attract resources that are valuable to the Group.

(ii) Qualifying participants

Any person being an employee, director (including executive or non-executive director), consultant, representative, professional adviser, customer, business partner, joint venture partner, strategic partner, landlord or tenant of, or any supplier or provider of goods or services, to the Group, and any trustee(s) of a discretionary trust of which one or more beneficiaries belong to any of the abovementioned category(ies) of persons.

(iii) Maximum number of shares

The total number of shares available for issue under the New Scheme is 4,350,000 which is 1.21% of the issued share capital as at the date of the annual report.

(iv) Maximum entitlement of each participant

No qualifying participant shall be granted an option which, if exercised in full, would result in such person's maximum entitlement exceeding 1% of the aggregate number of shares for the time being issued and issuable under the New Scheme.

(v) Option period

In respect of any particular option, such period commencing on the date of grant or such later date as the directors may decide and expiring on such date as the directors may determine, such period not to exceed 10 years from the date of grant.

(vi) Acceptance of offer

An offer of the grant of an option shall remain open for acceptance for a period of 30 days from the date on which the option is offered. An offer of the grant of the option shall be deemed to have been accepted when the duplicate offer document constituting acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration of the grant thereof is received by the Company.

(vii) Subscription price

The subscription price in respect of any particular option shall be such price as the directors may determine at the date of grant of the relevant option but shall not be less than whichever is the greater of

- (a) The closing price of the shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant;
- (b) The average official closing price of the Company's shares as stated in the daily quotations sheets in the Stock Exchange for the five business days immediately preceding the date of grant; and
- (c) The nominal value of the Company's shares.

(viii) The remaining life of the Scheme

The directors shall be entitled at any time within 10 years commencing on 8th May, 2002 to offer the grant of an option to any qualifying participants.

No options have been granted under the New Scheme since its adoption and details of the share options granted under the Old Scheme and outstanding as at 31st December, 2004 are as follows:

	Number of options		
	Held at 1st January, 2004	Lapsed during the year	Held at 31st December, 2004
Director Mr Rusli Hendrawan ("Mr Rusli")	8,000,000	–	8,000,000
Director Mr Lee Sheng Kuang, James ("Mr Lee")	8,000,000	–	8,000,000
Director Mr Oey Tjie Ho ("Mr Oey")	2,000,000	–	2,000,000
Director Mr Tang Chak Lam, Charlie ("Mr Tang")	2,000,000	–	2,000,000
Continuous contract employees	14,016,000	(2,400,000)	11,616,000

All the above outstanding options are exercisable from 1st September, 2002 to 31st August, 2005 at an exercise price of HK\$0.906 per share.

No options were granted, exercised or cancelled during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Mr Rusli Hendrawan (*Chairman*)

Mr Lee Sheng Kuang, James (*Managing Director*)

Mr Oey Tjie Ho

Mr Tang Chak Lam, Charlie

Mr Kwok Lam Kwong, Larry, J.P.*

Mr Lam Chi Kuen, Frank*

Mr Lau Siu Ki, Kevin*

* *Independent Non-Executive Director*

In accordance with Bye-law 87 of the Company's Bye-laws, Mr Lam Chi Kuen, Frank shall retire from office and not offer himself for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business 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.

CONNECTED TRANSACTIONS

- (a) On 5th March, 2004, ShanDong WeiQiao HengFu Textile Limited ("SWHT"), a sino-foreign equity joint venture company, which is owned as to 60% by Sino Precision Limited, a 66.7% owned subsidiary of the Company, and 40% by Shandong Weiqiao Chuangye Group Company Limited ("SDWQ"), entered into electricity and steam supply agreement, water supply agreement and waste water treatment service agreement (collectively the "Supply Agreements") with SDWQ. Under the Supply Agreements, SDWQ agrees to supply electricity, steam and water and provides waste water treatment service to SWHT for a term of 15 years commencing from the date of the Supply Agreements, which are automatically renewed for another 10 years upon expiry of their respective terms unless terminated by either party.

On 5th March, 2004, SDWQ also signed a written undertaking (the "Written Undertaking") under which SDWQ undertakes with SWHT that SDWQ shall, upon SWHT's reasonable request from time to time, request Weiqiao Textile Company Limited ("WQT") (or procure its subsidiaries) to supply cotton yarn to SWHT in accordance with the terms of the Raw Materials Agreement as defined herein commencing from the date of the Written Undertaking to the date of the termination of the Raw Materials Agreement. "Raw Materials Agreement" refers to the supply of products, raw materials and processing services agreement entered into between SDWQ and WQT on 25th August, 2003 for a term of 3 years, which is automatically renewed for another 3 years upon expiry of its term unless terminated by either party. Pursuant to the Raw Materials Agreement, WQT and/or its subsidiaries agreed to supply cotton yarn to SDWQ and its subsidiaries and associates. WQT is a subsidiary of SDWQ.

As SDWQ is a substantial shareholder of SWHT and SWHT is a subsidiary of the Company, SDWQ is a connected person of the Company. As WQT is a subsidiary of SDWQ which is a substantial shareholder of SWHT and SWHT is a subsidiary of the Company, WQT is also a connected person of the Company.

For the year ended 31st December, 2004, the total considerations paid by SWHT to SDWQ under the electricity and steam supply agreement, water supply agreement and waste water treatment service agreement amounted to HK\$901,000, HK\$11,000 and HK\$64,000 respectively and the total consideration paid by SWHT to WQT under the Raw Materials Agreement amounted to HK\$9,313,000.

The independent non-executive directors of the Company have reviewed the transactions and confirmed that the transactions have been entered into:

- (i) in the ordinary and usual course of business of the Company and SWHT;
- (ii) on normal commercial terms; and
- (iii) in accordance with the Supply Agreements and the Raw Materials Agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have confirmed to the board of directors that the transactions:

- (i) have received the approval of the Company's board of directors;
 - (ii) have been entered into in accordance with the terms of the Supply Agreements and the Raw Materials Agreement; and
 - (iii) have not exceeded the caps as disclosed in the Company's announcement dated 16th March, 2004.
- (b) On 13th September, 2001, a management services agreement (the "Management Services Agreement") was entered into between Carry Wealth Limited ("CWL"), a wholly-owned subsidiary of the Company, and Shinning Century Limited ("SCL") pursuant to which, CWL provides SCL with management services in Hong Kong at a management fee at 6% of the total sales at the invoiced value to customers of SCL for each calendar month. The initial term of the Management Services Agreement is one year commencing on 13th September, 2001, which is automatically renewed annually unless terminated by either party.

SCL is owned as to 70% by the Company indirectly and 30% by Ms Chen Mei Chuan, Jennifer. Ms Chen is also the managing director of SCL. The ongoing transactions between CWL and SCL as aforesaid constitute connected transactions for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

On 6th September, 2004, CWL and SCL entered into a supplemental agreement (the "Supplemental Agreement") to amend the terms of the Management Services Agreement so as to comply with Chapter 14A of the Listing Rules. Pursuant to the Supplemental Agreement, the Management Services Agreement has been amended to expire on 31st August, 2007 and be automatically renewed every 3 years and until terminated pursuant to the terms thereof with effect from 6th September, 2004.

In the opinion of the independent non-executive directors of the Company, during the period from 1st January, 2004 to 30th September, 2004, these transactions were carried out:

- (i) (1) in the ordinary course of business of CWL and SCL;
(2) on normal commercial terms; and
(3) fair and reasonable so far as the shareholders of the Company are concerned.
- (ii) the aggregate amount of the management fees charged by CWL amounted to HK\$4,928,000 which did not exceed 3% of the audited consolidated net tangible assets value of the Group as at 30th September, 2004.

The auditors of the Company have reviewed the transactions between CWL and SCL and confirmed to the board of directors of the Company in writing that such transactions occurring during the period from 1st January, 2004 to 30th September, 2004:

- (i) were carried out in accordance with the terms of the Management Services Agreement (as amended by the Supplemental Agreement); and
- (ii) the aggregate amount of management fees charged by CWL has not exceeded 3% of the Group's consolidated net tangible assets value as at 30th September, 2004.

The independent non-executive directors of the Company have reviewed the transactions occurring during the period from 1st October, 2004 to 31st December, 2004 and confirmed that the transactions have been entered into:

- (i) in the ordinary and usual course of the business of the Company and CWL;
- (ii) on normal commercial terms; and
- (iii) in accordance with the Management Services Agreement (as amended by the Supplemental Agreement) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have confirmed to the board of directors that the transactions occurring during the period from 1st October, 2004 to 31st December, 2004:

- (i) (1) have received the approval of the Company's board of directors;
(2) are in accordance with the pricing policies of the Company;
(3) have been entered into in accordance with the terms of the Management Services Agreement (as amended by the Supplemental Agreement); and
- (ii) the aggregate amount of management fees charged by CWL amounted to HK\$1,517,000 which did not exceed the cap amount of HK\$2,100,000 as disclosed in the Company's announcement dated 8th September, 2004.

INTERESTS OF DIRECTORS

As at 31st December, 2004, the interests of the directors of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance (the “SFO”) or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) are as follows:

(a) Ordinary shares of HK\$0.10 each in the Company

Name of director	Capacity	Number of ordinary shares (Note)	Percentage of issued share capital
Mr Rusli	Interest of a controlled corporation	162,000,000	45.00
Mr Lee	Interest of a controlled corporation	162,000,000	45.00

Note: These shares were held by Respected International Limited (“RIL”), which was ultimately owned as to 37.50% and 45.83% by Mr Rusli and Mr Lee respectively through their respective wholly-owned companies.

(b) Derivatives to ordinary shares of HK\$0.10 each in the Company

Name of director	Capacity	Unlisted options (physically settled equity derivatives) held	Percentage of issued share capital
Mr Rusli	Beneficial owner	8,000,000	2.22
Mr Lee	Beneficial owner	8,000,000	2.22
Mr Oey	Beneficial owner	2,000,000	0.56
Mr Tang	Beneficial owner	2,000,000	0.56

Note: The above share options were granted to directors under the Old Scheme as defined in the section “Share options” above. None of the share options has been exercised.

All the interests stated above represent long positions. Save as disclosed above, as at 31st December, 2004, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2004, the interests of the substantial shareholders (as defined in the Listing Rules), other than directors or chief executives, of the Company in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Ordinary shares of HK\$0.10 each in the Company

Name of shareholder	Capacity	Number of shares	Percentage of issued share capital
RIL (Note 1)	Beneficial owner	162,000,000	45.00
Greatwood Investment Trading Limited (Note 2)	Beneficial owner	61,900,000	17.19
Mr Susanto (Note 2)	Interest of a controlled corporation	61,900,000	17.19

Notes:

- 162,000,000 shares in the Company were held by RIL, a company in which Mr Rusli and Mr Lee held 37.50% and 45.83% equity interests respectively. Accordingly, both Mr Rusli and Mr Lee were deemed to be interested in 162,000,000 shares in the Company. These interests were the same interests of Mr Rusli and Mr Lee as disclosed in the section headed "Interests of Directors".
- These shares were held by Greatwood Investment Trading Limited, which was wholly-owned by Mr Susanto.

All the interests stated above represent long positions. Save as disclosed above, as at 31st December, 2004, none of the substantial shareholders, other than directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

INTERESTS OF OTHER PERSONS

Save as disclosed in the section headed "Interests of directors" and "Interests of substantial shareholders" above, the register required to be kept under section 336 of the SFO shows that as at 31st December, 2004, the Company had not been notified of any other person who had an interest or short position in shares and underlying shares of the Company.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	13%
– five largest suppliers combined	44%

Sales

– the largest customer	45%
– five largest customers combined	75%

None of the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above at any time during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the Laws of Bermuda.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors as at the latest practicable date prior to the issue of this report, the public float of the shares of the Company is sufficient.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lee Sheng Kuang, James

Managing Director

Hong Kong, 17th March, 2005