



Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 11 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated profit and loss account on page 18.

The directors recommend the payment of a final dividend of HK\$0.01 (2003: Nil) per ordinary share, totalling HK\$2,616,849 (2003: Nil).

Together with the interim dividend of HK1 cent (2003: Nil) per ordinary share totalling HK\$2,616,849 (2003: Nil) paid by the Company on 5th November 2004, the dividend for the full year will be HK2 cents (2003: Nil) per ordinary share, totalling HK\$5,233,698 (2003: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17th May, 2005 to 19th May, 2005, both days inclusive, during which period no share transfer will be effected. In order to qualify for the final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Abacus Share Registrars Limited, at G/F BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, no later than 4:00 pm on 13th May, 2005.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 22 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 10 to the accounts.

PRINCIPAL PROPERTIES

Details of the principal properties held for resale and for investment purposes are set out on pages 55 and 56.



Report of the Directors *(Cont'd)*

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December, 2004, calculated under Section 79B of the Companies Ordinance, amounted to approximately HK\$111 million (2003: HK\$128 million).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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.

DIRECTORS

The directors during the year were:

Executive directors

Rustom Ming Yu HO

John Ming Tak HO

Non-executive director

Chui Yi CHIU

Independent non-executive directors

Lawrence Kam Kee YU

David Hon To YU

Hsu Chou WU (appointed on 20th September, 2004)

In accordance with Articles 95 of the Company's Articles of Association, Mr Hsu Chou WU retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Articles 104(A) of the Company's Articles of Association, Mr David Hon To YU retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

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 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' 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)*

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of directors are set out below:

Mr. Rustom Ming Yu HO, aged 52, 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 24 years and is also the Chairman of Kwong Fong Industries Corporation.

Mr. John Ming Tak HO, aged 50, is the managing director of the Group. Mr. John Ho joined the Group in November 1991. He has over 27 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. Chui Yi CHIU, aged 56, has been a director of the Company since March 1999. He has 35 years' experience in finance and accounting. He has been the director of Kwong Fong Holdings Limited since July 1992.

Mr. Lawrence Kam Kee YU, MBE, JP, aged 59, has been an independent non-executive director of the Company since November 1994. Mr. Yu is the Chairman of Softbank Investment International (Strategic) Limited, a company listed on The Stock Exchange of Hong Kong Limited. Mr. Yu has over 34 years of senior management experience. He is also the co-Chairman, Campaign Committee of The Community Chest; Director of Hong Kong Football Association Limited; Governor of Hong Kong Automobile Association; the Chairman, Campaign Committee of The Road Safety Council.

Mr. David Hon To YU, aged 57, 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 Institute of Certified Public 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.

Mr Hsu Chou WU, aged 50, was appointed as an independent non-executive director of the Company on 20th September, 2004. Mr Wu is a member of the Taipei Bar Association. He is currently the Chairman of the Eurasia Law Office in Taipei. He is also a committee member of the Taipei County Construction and Building Commission, a committee member of the Taipei County Consumption Dispute Accommodation Commission, a committee member of the Law and Regulation Commission of the Ministry of Interior in Taiwan, and a legal consultant of the National Police Agency of the Ministry of Interior in Taiwan. Mr Wu is the author of the book "Far Away From Medical Dispute".



Report of the Directors (Cont'd)

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2004, the interests and short positions of each director in the shares and underlying shares of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (“the Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Ordinary Shares of HK\$0.2 each in the Company at 31st December, 2004

Directors	Number of shares held				Total	% of issued share capital
	Personal interests	Family interests	Corporate interests	Other interests		
Mr. Rustom Ming Yu HO	–	–	138,347,288*	–	138,347,288	52.87
Mr. John Ming Tak HO	–	600,000	138,347,288*	–	138,947,288	53.10

* By virtue of the SFO, both Mr. Rustom Ming Yu HO and Mr. John Ming Tak HO are deemed to have interests in the 138,347,288 shares held by Fulcrest Limited, a company incorporated in Hong Kong and the ultimate holding company of which is controlled by Mr. Rustom Ming Yu HO and Mr. John Ming Tak HO. Interests in the same shares are also shown under the section headed “Substantial Shareholders’ Interests in Shares” below.

Save as disclosed above, as at 31st December, 2004, none of the directors or their respective associates had any personal, family, corporate or other interest or short position in the shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which (a) was required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors were taken or deemed to have under such provisions of the SFO); or (b) was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) was required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Exchange.

None of the director and chief executive (including their spouse and children under 18 years of age) of the Company had any interest in, or had been granted, or exercised, any rights to subscribe for the shares and underlying shares of the Company and its associated corporations (within the meaning of the SFO).



Report of the Directors (Cont'd)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 31st December, 2004, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors:

Substantial Shareholder	Direct interests	Deemed interests	Total	% of Issued share capital
Fulcrest Limited	138,347,288	–	138,347,288	52.87
Raynor Holdings Limited	–	138,347,288	138,347,288	52.87
Seward Holdings Corp.	–	138,347,288	138,347,288	52.87
Asian Pacific Investment Corporation	–	138,347,288	138,347,288	52.87
Kwong Fong Holdings Limited	710,000	138,347,288	139,057,288	53.14
Kwong Fong Industries Corporation	8,680,000	139,057,288	147,737,288	56.46
COFCO (Hong Kong) Limited	45,058,000	–	45,058,000	17.22

Note: Fulcrest Limited is a wholly owned subsidiary of Raynor Holdings Limited, which is in turn a wholly owned subsidiary of Seward Holdings Corp, whose share capital is in turn owned 51% by Asian Pacific Investment Corporation and 49% by Kwong Fong Holdings Limited, which is in turn a wholly owned subsidiary of Kwong Fong Industries Corporation.

Save as disclosed above, the directors are not aware of any person (other than the directors) who, as at 31st December, 2004, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register required to be kept by the Company under Section 336 of the SFO.

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)

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers accounted for approximately 38.9% (2003: 55%) of the Group's turnover for the year. Approximately 14.5% (2003: 40%) of the Group's turnover was attributable to the largest customer.

Approximately 46.1% (2003: 47%) 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 18.6% (2003: 16%) of the purchases. Due to the nature of the Group's other operations, information on the Group's customers and 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.

FIVE YEAR FINANCIAL INFORMATION

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit/(loss) after taxation and attributable to shareholders	<u>34,002</u>	<u>(20,143)</u>	<u>7,257</u>	<u>(35,946)</u>	<u>(100,147)</u>
Total assets	857,936	863,895	731,037	790,554	909,197
Total liabilities	(366,950)	(441,210)	(328,149)	(295,754)	(380,053)
Minority interests	<u>(727)</u>	<u>(769)</u>	<u>(1,913)</u>	<u>(1,981)</u>	<u>(1,980)</u>
Net assets	<u>490,259</u>	<u>421,916</u>	<u>400,975</u>	<u>492,819</u>	<u>527,164</u>

CORPORATE GOVERNANCE

The Company has complied with the Code of Best Practice as set out in Appendix 14 (before amendment) 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.



Report of the Directors *(Cont'd)*

CORPORATE GOVERNANCE *(cont'd)*

The Company established an audit committee in 1999. The audit committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit. The audit committee reviews with senior management and the Company's external auditors the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance, and also discusses auditing, internal control, risk management and financial reporting matters. The Committee comprises three independent non-executive directors, namely Mr. Lawrence Kam Kee YU, Mr. David Hon To YU and Mr. Hsu Chou WU. Three meetings were held during the current financial year.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to rule 3.13 of Listing Rules. The Company considers all of the independent non-executive directors are independent.

The financial statements for the year ended 31st December, 2004 have been reviewed by the audit committee of the Company.

A remuneration committee was established by the board of directors on 8th April, 2005. The members of the remuneration committee are Mr. John Ming Tak HO, Mr. Lawrence Kam Kee YU and Mr David Hon To YU. A nomination committee was also established by the board on 8th April, 2005. The members of the nomination committee are Mr. Rustom Ming Yu HO, Mr. John Ming Tak HO, Mr. Lawrence Kam Kee YU, Mr David Hon To YU and Mr Hsu Chou WU. The terms of reference for both committees are based on those set out in Appendix 14 (after amendment) to Listing Rules.

SUBSEQUENT EVENT

As detailed in the circular dated 25th November, 2004, the Group purchased certain apartment units on the 16 to 28th floors of Merry Tower. Upon obtaining the aggregate certificate of ownership for such units subsequent to the balance sheet date, down payments for such units totalling HK\$19,552,000 will be transferred from Accounts Receivable and Prepayments to Properties Held for Resale in the financial year 2005.

AUDITORS

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

On behalf of the Board

John Ming Tak HO

Managing Director

Hong Kong, 8th April, 2005