

Directors' Report

The Directors present their annual report together with the audited financial statements for the financial year ended 31 December 2004.

Principal activities

The principal activity of the Company is investment holding and the activities of its subsidiaries and associates are shown in notes 16 and 17 to the financial statements respectively.

Commentary on annual results

A commentary on annual results is included in Management Discussion and Analysis on pages 7 to 8.

Financial statements

The profit of the Group for the financial year ended 31 December 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 16 to 42.

Particulars of subsidiaries

Particulars regarding the subsidiaries of the Group are set out in note 16 to the financial statements.

Particulars of associates

Particulars regarding the associates of the Group are set out in note 17 to the financial statements.

Share capital

The movements in share capital during the financial year are set out in note 24 to the financial statements.

Directors' right to acquire shares or debentures

At no time during the financial year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Reserves

The movements in reserves during the financial year are set out in note 25 to the financial statements.

Dividends

In October 2004, an interim dividend of 1 cent per share (2003: nil) was paid, amounting to HK\$2,109,000 (2003: nil). The Directors now recommend the payment of a final dividend of 1 cent per share (2003: 1 cent per share), amounting to HK\$2,133,000 (2003: HK\$2,133,000).

Donations

During the year, the Group made donations for charitable and community purposes amounting to HK\$40,000 (2003: HK\$30,000).

Summary of financial information

A summary of the turnover, results and the assets and liabilities of the Group for the last five financial years is shown on page 46.

Group borrowings

Details of Notes payable are shown in note 23 to the financial statements.

Directors' Report (Cont'd)

Major customers and suppliers

During the year, less than 30% of the Group's turnover and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

Fixed assets

Details of movements in fixed assets during the year are set out in note 14 to the financial statements on page 32.

Particulars of properties

The investment properties of the Group are as follows:

Location	Gross floor area (sq. ft.)	Nature of property	Percentage of interest	Lease expiry
Store in Basement, Lyndhurst Building, 2, 2A, 4, 4A & 6 Gage Street Hong Kong	4,594	Commercial	100	999 years from 22.1.1844

Directors

1. The Directors during the financial year were:

Mr. Tan Boon Seng (Managing Director)

Mr. Ang Guan Seng

Mr. Ho Hau Chong, Norman

Mr. Tan Choon Keat, Tony

Mr. Tan Kai Seng

Mr. Yeung Chik Kin

Mr. Fung Ka Pun

Mr. Chan Kai Kwok

2. In accordance with the Company's Articles of Association, the following Directors are due to retire and, being eligible, offer themselves for re-election.

Mr. Ang Guan Seng

Mr. Yeung Chik Kin

Biographical details of Directors and senior management

Brief of biographical details of Directors and senior management are set out on page 3.

Directors' Report (Cont'd)

Service contracts of Directors

No Director being proposed for re-election at the forthcoming annual general meeting has a service contract which is not terminable by the Group within one year without the payment of compensation other than statutory compensation.

Directors' interests in contracts

No contract of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had, whether directly or indirectly, a material interest subsisted at the end of the financial year or at any time during the financial year.

Directors' interests and short positions in shares, underlying shares and debentures

As at 31 December 2004, the Directors' interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 for Securities Transactions by Directors of Listed Companies, were as follows:

Directors	No. of ordinary shares			Total	Percentage holding
	Personal interests	Family interests	Corporate interests		
Mr. Tan Boon Seng	900,000	2,991,000 (iv)(v)	16,486,000 (i)(iii)	20,377,000	9.55
Mr. Ang Guan Seng	—	—	—	—	—
Mr. Ho Hau Chong, Norman	—	—	—	—	—
Mr. Tan Choon Keat, Tony	—	—	8,304,000 (i)(ii)	8,304,000	3.89
Mr. Tan Kai Seng	—	—	—	—	—
Mr. Yeung Chik Kin	225,800	—	—	225,800	0.11
Mr. Fung Ka Pun	—	—	—	—	—
Mr. Chan Kai Kwok	—	—	—	—	—

Notes:

- (i) Wah Seong Enterprises Sdn. Bhd. held 2,100,000 shares. Messrs. Tan Choon Keat, Tony and Tan Boon Seng had beneficial interests in this company.
- (ii) Tan Kim Yeow Sdn. Bhd. and TKY Investments Pte. Ltd. in aggregate held 6,204,000 shares. Mr. Tan Choon Keat, Tony had beneficial interests in these companies.
- (iii) HK 1 Limited held 14,386,000 shares. Mr. Tan Boon Seng had beneficial interest in this company.
- (iv) TYMS Limited held 2,981,000 shares. This company is beneficially owned by Mr. Tan Boon Seng's children and Mr. Tan Boon Seng acts as trustee for his children.
- (v) The wife of Mr. Tan Boon Seng held 10,000 shares.

Certain nominee shares in subsidiaries were held by Mr. Tan Boon Seng in trust for the Company or its subsidiaries.

Save as mentioned above, no Directors held an interest in the share capital of the Company's subsidiaries.

Directors' Report (Cont'd)

Directors' interests and short positions in shares, underlying shares and debentures (Cont'd)

As at 31 December 2004, no right was granted to or exercised by any Director of the Company or his spouse or children under 18 years of age to subscribe for equity or debt securities of the Company.

Substantial shareholders

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2004 the Company had been notified of the following interest in the Company's shares:

	<u>No. of ordinary shares</u>	<u>Percentage holding</u>
NWD (Hotels Investments) Limited	54,500,000 (i)	25.55
IGB Corporation Berhad	35,854,000 (ii)	16.81
Petaling Garden (S) Pte. Limited	29,006,000 (iii)	13.60
Tan Boon Seng	20,377,000 (iv)	9.55

Notes:

- (i) The interest of NWD (Hotels Investments) Limited (64% owned by New World Development Co. Ltd. and 36% owned by Chow Tai Fook Enterprises Ltd.) was held through its wholly-owned subsidiary, Keep Silver Investments Limited.
- (ii) The interest of IGB Corporation Berhad was held through its wholly-owned subsidiary, Intercontinental Aviation Services Sdn. Bhd.
- (iii) The interest of Petaling Garden (S) Pte. Limited (54% owned by Hoe Seng Company Pte. Limited) was held through its wholly-owned subsidiaries, Chiefyear Development Limited and Manifold Investments Pte. Limited.
- (iv) The 20,377,000 shares are held as to 900,000 shares by Mr. Tan Boon Seng, as to 10,000 shares by the wife of Mr. Tan Boon Seng, as to 2,100,000 shares by Wah Seong Enterprises Sdn. Bhd., as to 14,386,000 shares by HK 1 Limited and as to 2,981,000 shares by TYMS Limited. Wah Seong Enterprises Sdn. Bhd. is beneficially owned by Mr. Tan Choon Keat, Tony and Mr. Tan Boon Seng. HK 1 Limited is beneficially owned by Mr. Tan Boon Seng. TYMS Limited is beneficially owned by the children of Mr. Tan Boon Seng and Mr. Tan Boon Seng acts as trustee for his children.

Purchase, sale or redemption of listed securities

Details of repurchases by the Company of its own shares during the year are set out in note 24 to the financial statements on page 38. The repurchases were made for the purpose of enhancing the net asset value per share of the Company.

Save as mentioned above, there was no purchase, sale or redemption by the Company or its subsidiaries of the Company's listed securities during the financial year.

Management contracts

No contract 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 financial year.

Directors' Report (Cont'd)

Continuing obligation

Details of advances given to and guarantees given for banking facilities granted to affiliated companies as at 31 December 2004, which in aggregate exceeded the relevant percentage ratio of 8% under Chapter 13 of the Listing Rules are as follows:

<u>Affiliated companies</u>	<u>Approximate percentage of equity held by Group</u>	<u>Balance of advances</u>	<u>Guarantees given</u>	<u>Extent of guaranteed facilities utilised</u>	<u>Aggregate of advances and guarantees given</u>
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cheer Star Development Limited	28	131,031	41,250	24,530	172,281
Ichiban Properties Limited	50	148,917	–	–	148,917
Phil Inc.	20	2,044	–	–	2,044
Double Golden Sdn. Bhd.	50	2,368	–	–	2,368
Start Hold Limited	33	481	–	–	481

The above affiliated companies are associates of the Group. The advances arose from the ordinary course of business of the Group and were unsecured, non-interest bearing and with no fixed term of repayment.

Pursuant to the continuing disclosure requirements under Chapter 13 of the Listing Rules, the proforma combined balance sheet of the affiliated companies and the attributable interest of the Group in the affiliated companies as at 31 December 2004 are disclosed as follows:

Proforma combined balance sheet of affiliated companies

	<u>Proforma combined balance sheet</u>	<u>Group's attributable interest</u>
	HK\$'000	HK\$'000
Non-current assets	547,176	216,223
Current assets	15,583	3,473
Current liabilities	(24,944)	(7,415)
Non-current liabilities	(859,131)	(302,589)
Net liabilities	(321,316)	(90,308)

Directors' Report (Cont'd)

Connected transaction

Details of connected transaction disclosed under the Listing Rules are set out in note 29(a) to the financial statements.

Code of best practice

In the opinion of the Directors, 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 year except that the Independent Non-executive Directors and Non-executive Directors are not appointed for a specific term as they are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

Audit committee

An Audit Committee has been established and the members of the Committee are Mr. Ho Hau Chong, Norman, Mr. Fung Ka Pun and Mr. Yeung Chik Kin. The principal responsibilities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

Model code

The Company has adopted a model code for securities transaction by Directors on term no less exacting than the required standard set out in Appendix 10 of the Listing Rules. All Directors have complied with the required standard of the model code.

Sufficiency of public float

According to information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares.

Auditors

The retiring auditors, H. C. Watt & Company Limited, have expressed their willingness to continue in office. A resolution to reappoint them as auditors of the Company will be put to the annual general meeting.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Board.

Tan Boon Seng
Chairman

Hong Kong, 27 April 2005