



Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31st December, 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, and those of the Group are general trading and property investment. Further details of the activities of the subsidiaries can be found in note 16 to the consolidated financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 4 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 18.

The directors recommend the payment of a final dividend of HK\$0.01 (2004: HK\$0.01) per ordinary share, totalling HK\$2,616,849 (2004: HK\$2,616,849).

Together with the interim dividend of HK\$0.01 (2004: HK\$0.01) per ordinary share totalling HK\$2,616,849 (2004: HK\$2,616,849) paid by the Company on 30th September, 2005, the dividend for the full year will be HK\$0.02 (2004: HK\$0.02) per ordinary share, totalling HK\$5,233,698 (2004: HK\$5,233,698).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17th May, 2006 to 19th May, 2006, 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 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:00 p.m. on 16th May, 2006.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 28 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and of the Company are set out in note 13 to the consolidated financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties held for sale and for investment purposes are set out on pages 77 and 78.



Report of the Directors (Cont'd)

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December, 2005, calculated under Section 79B of the Companies Ordinance, amounted to approximately HK\$103 million (2004: HK\$111 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2005, the long term bank borrowings and the non-current assets of the Group amounted respectively to HK\$153,468,878 (2004: HK\$137,842,663) and HK\$645,744,314 (2004: HK\$611,312,594), and the percentage of the former to the latter was 23.77% (2004: 22.55%).

The Group's borrowings were denominated in HK dollars, US dollars and Renminbi. As at 31st December, 2005, the Group's utilized banking facilities amounted to HK\$366,978,262 (2004: HK\$558,332,728), and the Group has available but not yet utilized banking facilities amounting to approximately HK\$239 million (2004: HK\$123 million). The aforesaid utilized and available facilities were secured by the following pledged assets: certain leasehold land and land use rights with an aggregate book value of HK\$10,551,600 (2004: HK\$10,872,471), property, plant and equipment of HK\$6,187,742 (2004: HK\$8,968,255), investment properties of HK\$563,906,000 (2004: HK\$523,746,400), properties held for sale of HK\$54,632,103 (2004: HK\$31,623,439) and cash and bank balances of Nil (2004: HK\$7,946,935).

EMPLOYEE AND REMUNERATION POLICIES

As at 31st December, 2005, the total number of employees of the Group was 108 (2004: 112) with staff costs amounting to HK\$8,619,268 (2004: HK\$11,139,138). Remuneration policies are reviewed annually by the management. Remuneration packages are structured to take into account the comparable level of the market.

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 and up to the date of this report were:

Executive directors

Mr Rustom Ming Yu HO

Mr John Ming Tak HO

Mr Patrick Kwok Wai POON (*appointed on 20th March, 2006*)

Non-executive director

Mr Chui Yi CHIU



Report of the Directors (Cont'd)

Independent non-executive directors

Mr Lawrence Kam Kee YU

Mr David Hon To YU

Mr Hsu Chou WU

In accordance with Articles 95 of the Company's Articles of Association, Mr Patrick Kwok Wai POON 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 Rustom Ming Yu HO, Mr John Ming Tak HO and Mr Chui Yi CHIU retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves 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, any of its subsidiaries, its fellow subsidiaries or its parent company 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management are set out below:

Mr Rustom Ming Yu HO, aged 53, 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 25 years and is also the Chairman of Kwong Fong Industries Corporation.

Mr John Ming Tak HO, aged 51, is the managing director of the Group. Mr John Ho joined the Group in November 1991. He has over 28 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 Patrick Kwok Wai POON, aged 55, was appointed as an executive director of the Company on 20th March, 2006. Mr Poon joined the Group in 1997. He has over 15 years of experience in the commodity market and 5 years of experience in the banking business. Mr Poon has been overseeing the Group's Shanghai office and monitoring the Group's PRC property business for 8 years. Mr Poon currently holds a practicing licence in property management in the PRC.



Report of the Directors *(Cont'd)*

Mr Chui Yi CHIU, aged 57, has been a director of the Company since March 1999. He has 36 years' experience in finance and accounting. He has been the director of Kwong Fong Holdings Limited since July 1992.

Mr Lawrence Kam Kee YU, BBS, MBE, JP, aged 60, has been an independent non-executive director of the Company since November 1994. Mr Lawrence Yu is currently the Chairman of Softbank Investment International (Strategic) Limited, Wing On Travel (Holdings) Limited and See Corporation Limited (formerly Ruili Holdings Limited). All the above three companies are listed on The Stock Exchange of Hong Kong Limited. Mr Lawrence Yu has over 35 years of senior management experience. He also serves on many charitable and social organizations, and is currently the Co-Chairman of the Campaign Committee of The Community Chest of Hong Kong, Director of the Hong Kong Football Association Limited, Governor of the Hong Kong Automobile Association, and the Chairman of the Campaign Committee of The Road Safety Council.

Mr David Hon To YU, aged 58, 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 specializes in direct investment and financial advisory activities. Mr Yu is currently also on the board of several other listed and private companies in Hong Kong.

Mr Hsu Chou WU, aged 51, 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, 2005, 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, 2005

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, 2005, none of the directors or their respective associates had any personal, family, corporate or other interest or short position in the shares and underlying shares 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).

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its parent company a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in the Company or its associated corporation.



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, 2005, 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	Ordinary Shares of HK\$0.2 each in the Company at 31st December, 2005			% of Issued share capital
	Direct interests	Deemed interests	Total	
Fulcrest Limited	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: The share capital of Fulcrest Limited is owned 51% by Asian Pacific Investment Corporation and 49% by Kwong Fong Holdings Limited. Kwong Fong Holdings Limited is 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, 2005, 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.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's five largest customers accounted for approximately 51.13% (2004: 38.9%) of the Group's turnover for the year. Approximately 21.47% (2004: 14.5%) of the Group's turnover was attributable to the largest customer.

Approximately 39.35% (2004: 46.1%) 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 15.21% (2004: 18.6%) 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 interest in the Group's five largest customers and suppliers.



Report of the Directors (Cont'd)

FIVE YEAR FINANCIAL SUMMARY

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

	2005	2004	2003	2002	2001
	HK\$'000	Restated HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) attributable to:					
– Equity holders	30,183	34,243	(20,143)	7,257	(35,946)
– Minority interest	(727)	(42)	(988)	(61)	1
Total assets	930,214	868,439	863,895	731,038	790,554
Total liabilities	(430,949)	(392,030)	(441,210)	(328,149)	(295,754)
Total equity	499,265	476,409	422,685	402,889	494,800

Comparative figures for the year ended 31st December, 2004 have been restated to reflect the adoption of the new/revised HKFRS (Note 1 to the consolidated financial statements) which is effective for accounting periods commencing on or after 1st January 2005. The comparative figures for the three years ended 31st December 2001, 2002 and 2003 have not been restated as the directors are of the opinion that it is impracticable to do so.

SUFFICIENT PUBLIC FLOAT

Based on information publicly available and within the knowledge of the Company as at 28th March, 2006, being the latest practicable date prior to the issue of this annual report, the Company ascertained that the public holds 25% or more of the issued share capital of the Company. As such, there is sufficiency of public float.

AUDITORS

The financial statements 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, 28th March, 2006