



# Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31st December, 2006.

## 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 18 to the consolidated financial statements.

A analysis of the Group's performance for the year by business and geographical segments is set out in note 5 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 21.

The directors recommend the payment of a final dividend of HK\$0.01 (2005: HK\$0.01) per ordinary share, totalling HK\$2,616,849 (2005: HK\$2,616,849).

Together with the interim dividend of HK\$0.01 (2005: HK\$0.01) per ordinary share totalling HK\$2,616,849 (2005: HK\$2,616,849) paid by the Company on 30th September, 2006, the dividend for the full year will be HK\$0.02 (2005: HK\$0.02) per ordinary share, totalling HK\$5,233,698 (2005: HK\$5,233,698).

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16th May, 2007 to 18th May, 2007, 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 15th May, 2007.

## 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 16 to the consolidated financial statements.

## PRINCIPAL PROPERTIES

Details of the principal properties held for sale and for investment purposes are set out on pages 80 to 82.



# Report of the Directors (Cont'd)

## SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 27 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December, 2006, calculated under Section 79B of the Companies Ordinance, amounted to approximately HK\$68 million (2005: HK\$103 million).

## EMPLOYEE AND REMUNERATION POLICIES

As at 31st December, 2006, the total number of employees of the Group was 118 (2005: 108) with staff costs amounting to HK\$10,607,131 (2005: HK\$8,619,268). 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 April, 2006*)

### *Non-executive director*

Mr Chui Yiu CHIU (*resigned on 30th May, 2006*)

### *Independent non-executive directors*

Mr Lawrence Kam Kee YU

Mr David Hon To YU

Mr Hsu Chou WU

In accordance with Articles 104(A) of the Company's Articles of Association, Mr Lawrence Kam Kee YU and Mr. Hsu Chou Wu retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

All of the non-executive directors are not appointed for a specific term, but are subject to retirement, rotation and re-election at the Company's Annual General Meetings. Under the Company's Article of Association, one-third of the directors, including the non-executive directors, are subject to retirement, rotation and re-election at each annual general meeting.



## Report of the Directors (Cont'd)

### DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, any of 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.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31st December, 2006, the interests of each director and chief executive 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 Part XV 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:

#### Long Position

#### Ordinary Shares of HK\$0.2 each in the Company at 31st December, 2006

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, during the year ended 31st December, 2006, none of the other directors, chief executives and 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



## Report of the Directors (Cont'd)

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 directors and chief executives (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) required to be disclosed pursuant to the SFO.

At no time during the year was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors and chief executives 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.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under section 336 of Part XV of the SFO shows that as at 31st December, 2006, the Company had been notified of the following substantial shareholders' interests, 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 and chief executives:

#### Long Position

#### Ordinary Shares of HK\$0.2 each in the Company at 31st December, 2006

Substantial Shareholder	Ordinary Shares of HK\$0.2 each in the Company at 31st December, 2006			% 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, 2006, 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.



# Report of the Directors (Cont'd)

## 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 trading operation customers accounted for approximately 61.95% (2005: 51.13%) of the Group's turnover for its trading operation for the year. Approximately 18.3% (2005: 21.47%) of the Group's turnover for its trading operation was attributable to the largest customer.

Approximately 36.99% (2005: 39.35%) 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 9.56% (2005: 15.21%) 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 owns more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers and suppliers.

## 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 as follows:

	2006	2005	2004	2003	2002
	<i>HK\$'000</i>	Restated <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) attributable to:					
– Equity holders	<b>62,946</b>	30,151	34,243	(20,143)	7,257
– Minority interest	<b>–</b>	(727)	(42)	(988)	(61)
Total assets	<b>1,104,194</b>	930,214	868,439	863,895	731,038
Total liabilities	<b>(536,440)</b>	(430,949)	(392,030)	(441,210)	(328,149)
Total equity	<b>567,754</b>	499,265	476,409	422,685	402,889



## Report of the Directors *(Cont'd)*

Comparative figures for the year ended 31st December, 2005 have been restated as a result of the prior year adjustment in respect of the adoption of HKAS 39 Amendment, “The fair value option”, issued by the Hong Kong Institute of Certified Public Accountants. The comparative figures for the three years ended 31st December, 2002, 2003 and 2004 have not been restated as the directors are of the opinion that it is impracticable to do so.

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the and within the knowledge of the Directors as at 20th April, 2007, 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, 20th April, 2007