

Report of the Directors

The Directors present their report together with the audited financial statements of the Company for the period from 14 September 2001 (date of incorporation) to 31 December 2001.

LISTING ON THE STOCK EXCHANGE OF HONG KONG LIMITED

The Company was incorporated in the Cayman Islands on 14 September 2001 as an exempted company with limited liability under the laws of the Cayman Islands.

Following the successful placing of 70,000,000 shares to professional, institutional and selected investors and the public offer of 30,000,000 new shares of the Company, the Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 February 2002.

PRINCIPAL ACTIVITIES

During the period ended 31 December 2001, the Company had not commenced its operations. The Company commenced its operations after the listing of its shares on the Stock Exchange on 28 February 2002, and is now principally engaged in investing in listed and unlisted companies established in the People's Republic of China (the "PRC"), Hong Kong, Taiwan and Macau which have substantial operations in the PRC, in order to achieve medium to long term capital appreciation.

SEGMENT INFORMATION

No segment information is provided as the Company had no investment activities during the period.

RESULTS

The Company's loss for the period from 14 September 2001 (date of incorporation) to 31 December 2001 and the state of affairs of the Company at 31 December 2001 are set out in the financial statements on pages 14 to 20.

SHARE CAPITAL

Details of movements in the Company's share capital during the period, together with reasons therefor, and subsequent thereto are set out in notes 9 and 14 to the financial statements.

RESERVES

Details of movements in the Company's reserves during the period and subsequent thereto are set out in notes 10 and 14 to the financial statements.

DISTRIBUTABLE RESERVES

Under the laws of the Cayman Islands, the Company's share premium account is available for paying distributions or dividends to the shareholders of the Company, subject to the provisions of the Company's memorandum and articles of association and a statutory solvency test. In accordance with the Company's articles of association, no dividend shall be declared or payable except out of the profits and reserves set aside from the profits of the Company. With the sanction of an ordinary resolution, dividends may also be declared and paid out of the share premium account or any other fund or account which can be authorised for this purpose in accordance with the laws of the Cayman Islands. At 31 December 2001, the Company's reserves available for distribution amounted to HK\$2,420,000.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the laws in the Cayman Islands, being the jurisdiction in which the Company is incorporated.

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DIRECTORS

The Directors of the Company during the period and up to the date of this report were:

Mr. Chan Yan Ming, Michael	(Appointed on 17 September 2001)
Mr. Andrew Nan Sherrill	(Appointed on 17 September 2001)
Mr. Ma Kam Fook, Robert	(Appointed on 25 January 2002)
Mr. Joel Lazare Hohman [#]	(Appointed on 25 January 2002)
Mr. Chan Wai Dune [*]	(Appointed on 25 January 2002)
Mr. Liu Kwok Fai, Alvan [*]	(Appointed on 25 January 2002)

[#] Non-executive Director

^{*} Independent Non-executive Director

In accordance with Article 88 of the Company's Articles of Association, Mr. Chan Yan Ming, Michael and Mr. Andrew Nan Sherrill will retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Mr. Joel Lazare Hohman is the Non-executive Director of the Company whilst Mr. Chan Wai Dune and Mr. Liu Kwok Fai, Alvan are the independent Non-executive Director of the Company. They were appointed for a period of two years expiring on 24 January 2004.

DIRECTOR'S SERVICE CONTRACT

Mr. Chan Yan Ming, Michael has entered into a service contract with the Company on 1 March 2002 which shall continue unless and until terminated by either party giving to the other not less than three months' prior written notice.

Save as disclosed above, none of the Directors has any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

Following the listing of the Company's shares on the Stock Exchange on 28 February 2002, the interests of the Directors and Chief Executives of the Company in the equity of the Company or its associated corporations as recorded in the register kept by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies on 28 February 2002, were as follows:

Name of Directors	Number of ordinary shares of the Company
	Personal interest
Chan Yan Ming, Michael	100,000
Joel Lazare Hohman	2,900,000

Save as disclosed above, none of the Directors, Chief Executives or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the "Related Parties and Connected Transactions" disclosed below, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Company to which the Company was a party during the period.

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DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES

On 8 February 2002, the Company conditionally adopted a share option scheme under which participants (as defined in the share option scheme) may be granted options to subscribe for shares of the Company. No options have been granted under the share option scheme following the listing of the Company on 28 February 2002.

Save as disclosed above, at no time during the period was the Company a party to any arrangement to enable the Company's Directors (including their respective spouse or children under 18 years of ages) or Chief Executives of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company's share option scheme ("the Scheme"), was adopted pursuant to a resolution passed on 8 February 2002 for the primary purpose of providing incentives to Directors and eligible participants (as defined in the Scheme), and will expire on 7 February 2012. Under the Scheme, the Company may grant options to Directors of the Company (including Non-executive Director and independent Non-executive Director) and its eligible participants to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme must not exceed 10% of the shares of the Company in issue at any point of time. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each grantee in any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of the individual limit must be subject to shareholders' approval.

Options granted must be taken up within 7 days of the date of grant, upon payment of HK\$1.00 per option. Options may be exercised at any time from the date of grant of the share option to a period to be notified by the Board of Directors to each grantee at the time of making such offer, which shall not expire later than 10 years from the date of grant. The subscription price is determined by the Board of Directors at its absolute discretion and shall be no less than the higher of (a) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share of the Company on the date of grant.

As at the date of the listing of the Company on 28 February 2002, no option was granted by the Company under the Scheme since its adoption.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at the listing of the Company on 28 February 2002, so far as are known to the Directors of the Company, the following person was recorded in the register kept by the Company under Section 16 of the SDI Ordinance as being directly or indirectly interested in 10% or more of the nominal value of the issued share capital of the Company :

Name of Shareholder	Number of Shares
Perfect Victory Limited (<i>note</i>)	25,000,000

Note : Perfect Victory Limited is 100% owned by Ms. Wong Sau Lin.

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RELATED PARTIES AND CONNECTED TRANSACTIONS

Mr. Andrew Nan Sherrill, an Executive Director of the Company, owns 100% of AsiaVest Investment Advisory Limited, which is the interim investment manager of the Company with a service agreement for an initial term of six months commencing from the date of the listing of the Company's shares on 28 February 2002. The said service agreement will lapse in the event that China Core Capital Management Limited fails to obtain approval of its registration as an investment adviser under the Securities Ordinance within 12 months from the date of the listing of the Company's shares on 28 February 2002.

Mr. Chan Yan Ming, Michael and Mr. Ma Kam Fook, Robert, both the Executive Directors of the Company, own 25% and 37.5% respectively, of China Core Capital Management Limited, which will be the investment manager of the Company with a service agreement for an initial term of three years commencing on the date immediately after the expiration of the interim investment management agreement between the Company and AsiaVest Investment Advisory Limited. The agreement with China Core Capital Management Limited will continue for successive periods of three years each, subject to the approval of the independent shareholders of the Company.

A tenancy agreement was entered into between the Company and Kinvick Limited, a company wholly-owned by Mr. Chan Yan Ming, Michael, an Executive Director of the Company, in respect of the provision of the principal place of business of the Company for a term of one year commencing on 1 September 2001 for a monthly rental of HK\$10,000. The Company commenced the payment of the monthly rental upon the listing of its share on the Stock Exchange on 28 February 2002.

PENSION SCHEME AND COSTS

The Company did not operate any retirement scheme except for the Mandatory Provident Fund scheme (the "MPF scheme") during the period.

The Company is required to contribute to the MPF scheme based on the rates applicable to the respective monthly salaries of employees based in Hong Kong in accordance with government regulations.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not purchase, sell or redeem any of the Company's listed securities following the listing of its shares on 28 February 2002 and up to the date of this report.

POST BALANCE SHEET EVENTS

Details of the significant post balance events of the Company are set out in note 14 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the Directors, since the date of listing of the Company on 28 February 2002, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules of the Stock Exchange.

AUDIT COMMITTEE

The Company established an audit committee on 25 January 2002 in accordance with the requirements of the Code of Best Practice. The audit committee comprises two Independent Non-executive Directors, namely Mr. Chan Wai Dune and Mr. Liu Kwok Fai, Alvan. The audit committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements.

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AUDITORS

Ernst & Young were appointed by the Directors as the first auditors of the Company. Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Chan Yan Ming, Michael
Managing Director

Hong Kong
16 April 2002