

Report of the Directors

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2002.

LISTING ON THE STOCK EXCHANGE OF HONG KONG LIMITED

The Company was established in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the placing and new issue of the Company's shares are set out in the prospectus dated 19 February 2002. The shares of the Company have been listed on the Stock Exchange with effect from 28 February 2002.

PRINCIPAL ACTIVITIES

The Company commenced its operations after the listing of its shares on the Stock Exchange on 28 February 2002 and is 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.

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2002 are set out in the income statement on page 18.

An interim dividend of HK\$0.05 per share amounting to HK\$5,150,000 was paid to the shareholders during the year.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 14 to the financial statements.

During the year, the Company did not purchase, sell or redeem any of its listed securities.

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DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to the shareholders subject to the provisions of its Memorandum and Articles of Association and a statutory solvency test. In accordance with Article 143 of the Company's Articles of Association, dividends may be declared and paid out of the profits of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account. The Company's reserves available for distribution amounted to approximately HK\$79,183,000 as at 31 December 2002.

DIRECTORS

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

Executive Directors:

Mr. Chan Yan Ming, Michael	
Mr. Ma Kam Fook, Robert	(appointed on 25 January 2002)
Mr. Andrew Nan Sherrill	(resigned on 4 April 2003)

Non-executive Director:

Mr. Joel Lazare Hohman	(appointed on 25 January 2002)
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Independent non-executive Directors:

Mr. Chan Wai Dune	(appointed on 25 January 2002)
Mr. Liu Kwok Fai, Alvan	(appointed on 25 January 2002)

In accordance with Article 88 of the Company's Articles of Association, Mr. Ma Kam Fook, Robert will retire by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

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

The non-executive Director and all independent non-executive Directors have been appointed for a term of two years.

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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 31 December 2002, the interests of the Directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of Directors	Number of shares held for personal interests
Mr. Chan Yan Ming, Michael	100,000
Mr. Joel Lazare Hohman	2,900,000

Other than as disclosed above, none of the Directors or chief executives, nor their associates, had any interests in any securities of the Company or any of its associated corporations.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 15 to the financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executives, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

- (a) On 18 February 2002, the Company entered into a service agreement (the "Interim Investment Management Agreement") with AsiaVest Investment Advisory Limited ("AsiaVest"). Pursuant to the Interim Investment Management Agreement, AsiaVest acted as the interim investment manager of the Company for an initial term of six months commencing from the date of the listing of the Company's shares on 28 February 2002. The Interim Investment Management Agreement would lapse in the event that China Core Capital Management Limited ("China Core") 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. Andrew Nan Sherrill, an Executive Director of the Company and who resigned on 4 April 2003, owns 100% of AsiaVest.

During the year, the Company paid investment management fees of HK\$2,058,634 to AsiaVest. The Interim Investment Management Agreement was terminated on 31 December 2002.

- (b) On 18 February 2002, the Company entered into a service agreement (the "Investment Management Agreement") with China Core. Pursuant to the Investment Management Agreement, China Core will act as the investment manager of the Company 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. The Investment Management Agreement commenced on 1 January 2003 and will continue for successive periods of three years each, subject to the approval of the independent shareholders of the Company. The investment management fee will be payable in advance semi-annually at 2.5% per annum of the net asset value of the Company as at the immediately preceding dealing day of the last calendar month of the Stock Exchange. Messrs. Chan Yan Ming, Michael and Ma Kam Fook, Robert, both Executive Directors of the Company, own 25% and 37.5% respectively, of China Core.
- (c) A tenancy agreement was entered into between the Company and Kinvick Limited ("Kinvick"), 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, to be renewed for a further term of one year at the option of the Company. The total rental for office premises paid to Kinvick during the year amounted to HK\$160,000, which included the rental for the period from 1 September 2001 to 31 December 2001 of HK\$40,000. This amount was not charged to the income statement in prior year since Kinvick agreed to waive the amount if the listing of the Company's shares was not successful.

The independent non-executive director confirms that the transactions have been entered into by the Company in the ordinary course of its business and in accordance with the terms of the agreements governing such transactions.

Other than as disclosed above, no contracts of significance to which the 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.

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SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed no person as having an interest of 10% or more in the share capital of the Company.

CORPORATE GOVERNANCE

The Company has complied in the period between its listing date and 31 December 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITORS

During the year, Messrs. Ernst & Young, who acted as auditors of the Company for the period from its date of incorporation to 31 December 2001, were removed and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company. A resolution will be submitted to the annual general meeting to re-appoint the auditors, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

Chan Yan Ming Michael

CHAIRMAN

Hong Kong, 15 April 2003