

Directors' Report

The directors of the Company submit herewith their report together with the audited financial statements of the Company for the year ended 31 December 2003.

PRINCIPAL ACTIVITY

The Company was incorporated on 28 June 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The principal activity of the Company is investment in listed and unlisted companies in Hong Kong and in the PRC.

The shares of the Company were listed on the Stock Exchange with effect from 27 September 2002.

No business or geographical analysis of the Company's performance for the year is provided as all of the turnover and contributions to operating results of the Company are attributable to investments in equity securities listed in Hong Kong.

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2003 and the state of affairs of the Company at that date are set out in the financial statements on pages 16 to 33 of this annual report.

The Board has resolved not to recommend the payment of dividend for the year ended 31 December 2003 (2002: Nil).

RESERVES

Details of the movements in reserves of the Company during the year are set out in Note 19 to the financial statements.

As at 31 December 2003, the Company's reserves available for distribution to shareholders were HK\$10,657,000 (2002: HK\$22,753,000) under the Companies Law of the Cayman Islands.

SHARE CAPITAL

Details of the movements in share capital of the Company during the financial year under review are set out in Note 18 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Memorandum and Articles of Association and there is no restriction against such rights under the laws of Cayman Islands.

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PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2003, the Company has not purchased, sold or redeemed any of its listed securities.

DIRECTORS

The directors during the financial year under review and up to the date of this report were:

Executive Directors

Mr Li Sze Tang (<i>Chairman</i>)	
Mr Tang Yu Lap	(Resigned on 15 December 2003)
Mr Chiu Sui Keung	(Resigned on 6 January 2004)
Mr Wu Tse Wai, Frederick	(Appointed on 6 January 2004)

Independent Non-executive Directors

Mr Kwok Ming Wa
Mr Wang Tianye

In accordance with Articles 88 and 89 of the Company's Articles of Association, Mr Wu Tse Wai, Frederick will retire by rotation and, being eligible, will offer himself for re-election.

Mr Kwok Ming Wa and Mr Wong Tianye are independent non-executive directors and were appointed for a two-year term expiring on 15 September 2004.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company. Service contract with Mr Li Sze Tang and Mr Chiu Sui Keung was commenced on 27 September 2002 with initial fixed terms of three years and one year respectively. On 6 January 2004, Mr Chiu Sui Keung resigned as an executive director of the Company, and Mr Wu Tse Wai, Frederick was appointed as the Company's executive director on the same day. His service contract was commenced on 6 January 2004, with an initial fixed term of one year. All director's service contracts will continue thereafter until terminated by not less than three months' notice in writing served by either party to the other, which notice shall not expire until after the respective initial fixed terms. Each of these executive directors is entitled to their respective basic salary (subject to an annual increment of not more than 5% of the annual salary at the time of the relevant review at the discretion of the directors). In addition, in respect of each financial year of the Company, each of the executive directors is also entitled to a discretionary bonus provided that the aggregate amount of the bonuses payable to all the executive directors in respect of any financial year of the Company may not exceed 15% of the audited net profit of the Company (after taxation but before extraordinary and exceptional items and payment of such bonuses) in respect of that financial year of the Company. An executive director is required to abstain from voting and is not counted in the quorum in respect of any resolutions of the directors regarding the amount of the monthly salary and the discretionary bonus payable to himself.

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DIRECTORS' SERVICE CONTRACTS *(continued)*

The independent non-executive directors have been appointed for an initial term of two years subject to retirement by rotation in accordance with the Company's Articles of Association.

Saved as disclosed above, no other director has entered into a service agreement with the Company which is not determined by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

The directors' interests in contracts are set out in Note 21 to the financial statements. Apart from foregoing, no other contract of significance in relation to the Company's business to which the Company was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company a party to any arrangements to enable the directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any associated corporations.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31 December 2003, the interests of the directors and the chief executives in the share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinances ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Name of directors	Number of ordinary shares of the Company held				% of issued shares
	Personal interest	Family interest	Corporate interest	Total	
Mr Li Sze Tang	–	–	10,000,000	10,000,000	20%
			<i>(Note)</i>		

Note: These shares are held by First Asia International Holdings Limited, the entire issued share capital of which is held as to 60% by Mr Li Sze Tang and as to 40 % by Madam Wong Lap Woon (the spouse of Mr Li Sze Tang).

Other than as disclosed above, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations.

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SHARE OPTION SCHEME

The Company has conditionally adopted the share option scheme pursuant to written resolutions of the sole shareholder adopted on 10 September 2002. The Board or a duly authorised committee thereof may, at any time following the date of adoption and before the tenth anniversary thereof, offer to grant to any directors (including independent non-executive directors) or full-time employees of the Company, an option to subscribe for shares of the Company. The subscription price will be determined by the Board (subject to adjustment), and will not be less than (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange daily quotation sheets for the five consecutive trading days immediately preceding the date of grant; or (iii) the nominal value of the shares of the Company, whichever is the highest. The maximum number of shares of the Company in respect of which options may be granted under this scheme may not exceed 10% of the issued share capital of the Company from time to time. An option may be exercised at any time before the expiration of ten years from the date of adoption of the relevant share option scheme.

As at 31 December 2003, no option has been granted or agreed to be granted under the share option scheme.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, the interests of persons, other than a director or chief executive of the Company, in the share of the Company as recorded in the register maintained pursuant to Section 336 of the SFO were as follows:

Name of shareholders	Number of ordinary shares held	% of issued shares
First Asia International Holdings Limited (<i>Note</i>)	10,000,000	20%
Mr Lee Shi Tat, Beneficial owner	2,896,000	5.792%

Note: The entire issued share capital of First Asia International Holdings Limited is beneficially owned as to 60% by Mr Li Sze Tang and as to 40% by Madam Wong Lap Woon (the spouse of Mr Li Sze Tang).

Other than as disclosed above, the Company has not been notified of any other interests or short positions in shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 31 December 2003.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial parts of the business of the Company were entered into or existed during the year.

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MAJOR CUSTOMERS AND SUPPLIERS

The Company's entire turnover is derived from the Company's investment in equity securities listed or unlisted in Hong Kong and the PRC and thus the disclosure of information regarding to customers and suppliers would not be meaningful.

CONNECTED TRANSACTIONS

Investment Management Agreement

Pursuant to the investment management agreement, the Company appointed Hantec Asset Management Limited ("Hantec Asset Management") as its investment manager. The investment manager has agreed to provide the Company with investment management services for a period commencing on 27 September 2002 and expiring on the second anniversary thereof and shall continue for successive periods of two years. An investment management fee of HK\$700,000 per annum, payable monthly in advance by twelve equal monthly instalments of approximately HK\$58,000, would be paid to Hantec Asset Management. On 16 April 2003, the Company has entered into a revised investment management agreement with Hantec Asset Management to reduce the investment management fee to HK\$280,000 per annum from 1 May 2003 to 26 September 2004. Apart from the foregoing, there was no other change in the terms of the investment manager agreement dated 10 September 2002.

Hantec Asset Management is beneficially wholly-owned by Hantec Investment Holdings Limited ("Hantec Investment"), which is a company listed on the Main Board of the Stock Exchange. Hantec Investment is approximately 66% owned by Hantec Holdings Limited ("Hantec Holdings"). Hantec Holdings is in turn 35% owned by Mr Tang Yu Lap, an ex-director of the Company, 20% by Mr Fan Wai Ming, 10% by Mr Man Kong Yui and the other 35% by Mr Yeung Sai Hong and his associates. Save as disclosed above, Mr Fan Wai Ming, Mr Man Kong Yui, Mr Yeung Sai Hong and his respective associates are independent third parties not connected with any of the directors, the chief executives or the substantial shareholders of the Company or any associated corporations.

Custodian Agreement

Pursuant to the custodian agreement, the Company appointed Standard Chartered Bank as its custodian. The custodian has agreed to provide the Company with securities services including the safe custody and physical settlement of the securities in the investment portfolio of the Company and the collection of dividends and other entitlements in respect of such securities. The custodian agreement was effective from 27 September 2002 and will continue to be in force until terminated by either the Company or the custodian by giving to the other of not less than 90 days' notice in writing expiring at any time.

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CONNECTED TRANSACTIONS *(continued)*

Licence Agreement

Pursuant to the licence agreement entered into between First Asia Finance Group Limited (“First Asia Finance Group”) as licensor and the Company as licensee (the “Licence Agreement”) prior to 27 September 2002, First Asia Finance Group agreed to license the non-exclusive use of the premise in Hong Kong, namely Room 1502, 15th Floor, World Wide House, No. 19 Des Voeux Road Central, Hong Kong to the Company at HK\$1.00 per month. The premise was used by the Company as an office. The Licence Agreement shall be terminated by First Asia Finance Group by giving a written notice to the Company at any time and shall automatically be terminated upon the termination for whatever reason of the tenancy agreement dated 2 January 2002 and made between First Asia Finance Group as tenant and an independent landlord in respect of the above premise.

On 5 January 2004, the Licence Agreement was terminated by Company along with the change of office from the above stated address to Room 3505-06, 35th Floor, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong. No licence agreement has then been entered into between the Company and First Asia Finance Group for the new office premise.

First Asia Finance Group is beneficially wholly-owned by First Asia International Holdings Limited. First Asia Finance Group is therefore a connected person of the Company.

The Board of directors, including the independent non-executive directors, is of the view that the above connected transaction has been entered into on normal commercial terms, on an arm’s length basis and in the ordinary and usual course of business of the Company, and that the terms of the above connected transaction are fair and reasonable to the shareholders and the Company as a whole.

CHANGE OF COMPANY SECRETARY

On 11 April 2003, the Company appointed Mr Li Sze Tang as Company Secretary.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange at any time during the year ended 31 December 2003.

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AUDIT COMMITTEE

The Audit Committee, comprising two independent non-executive directors, together with the management, has reviewed the accounting principles and practices adopted by the Company and has discussed the internal control and financial reporting matters including a review of the financial statements for the year ended 31 December 2003.

AUDITORS

Messrs HLB Hodgson Impey Cheng were appointed by the Board of Directors on 25 March 2003 to act as auditors of the Company to fill the casual vacancy arising from the resignation of Messrs PKF.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs HLB Hodgson Impey Cheng as auditors of the Company.

Apart from the foregoing, there was no other change of auditors of the Company.

On behalf of the Board

Li Sze Tang

Chairman

Hong Kong, 27 April 2004