

Report of the Directors

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The Company 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

The results of the Company for the year ended 31 December 2003 are set out in the income statement on page 13.

SHARE CAPITAL

There was no movement in the share capital of the Company during the year.

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

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\$35,046,000 as at 31 December 2003.

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DIRECTORS

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

Executive Directors:

Mr. Ma Kam Fook, Robert	
Ms. Pang Bang Xuan	(appointed on 26 September 2003)
Mr. Andrew Nan Sherrill	(resigned on 4 April 2003)
Mr. Chan Yan Ming, Michael	(resigned on 26 September 2003)

Non-executive Director:

Mr. Joel Lazare Hohman

Independent non-executive Directors:

Mr. Chan Wai Dune	
Mr. Fung Choi On	(appointed on 26 September 2003)
Mr. Liu Kwok Fai, Alvan	(resigned on 26 September 2003)

In accordance with Article 88 of the Company's Articles of Association, Ms. Pang Bang Xuan, will retire by rotation at the forthcoming annual general meeting and, being eligible, offers herself 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.

Report of the Directors**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES**

At 31 December 2003, the interests of the Directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of Director	Number of shares held for personal interests	Percentage of the issued share capital of the Company
Mr. Joel Lazare Hohman	2,900,000	2.8%

Other than as disclosed above, none of the Directors or chief executives, nor their associates, had any interests or short positions 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 "Investment Management Agreement") with China Core Capital Management Limited ("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. 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, an Executive Director who resigned on 26 September 2003 ("Mr. Michael Chan") and Ma Kam Fook, Robert, an Executive Director ("Mr. Robert Ma"), own 25% and 37.5% respectively, of China Core up to 7 October 2003. Starting from 8 October 2003, China Core is wholly-owned by Mr. Robert Ma.

During the year, the Company paid investment management fees of HK\$1,925,549 to China Core.

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CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE – *continued*

- (b) A tenancy agreement was entered into between the Company and Kinvick Limited (“Kinvick”), a company wholly-owned by Mr. Michael Chan 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 and was renewed on 1 September 2002 for a further term of one year. The tenancy agreement was terminated by both parties on 31 July 2003. The total rental for office premises paid to Kinvick during the year amounted to HK\$70,000.
- (c) Since 1 August 2003, Jensmart International Limited, a company which is wholly-owned by Mr. Robert Ma, had performed certain office administrative services for the Company, for which a monthly management fee of HK\$5,000 was paid.

The independent non-executive directors confirm 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance disclosed no person as having a notifiable interest or short position in the issued share capital of the Company.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2003 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

For the past two years, except for the period from 14 September 2001 (date of incorporation) to 31 December 2001, in which Messrs Ernst & Young acted as auditors of the Company, Messrs Deloitte Touche Tohmatsu have acted as auditors of the Company. A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Ma Kam Fook, Robert
CHAIRMAN

Hong Kong, 22 April 2004