

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their first report and the audited financial statements of the Company for the period from 15 April 2003 (Date of Incorporation) to 31 March 2004 (the "Period").

PRINCIPAL ACTIVITY

The Company was incorporated on 15 April 2003 as an exempted Company with limited liability in Bermuda. The Company is an investment company and is principally engaged in investments in listed or unlisted enterprises established in Hong Kong and in the People's Republic of China.

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited with effect from 2 April 2004 (the "Listing Date"). The Company had not commenced any operation or business before the Listing Date.

FINANCIAL RESULTS

The loss and cash flows of the Company for the Period and the state of affairs of the Company at 31 March 2004 are set out in the financial statements on pages 14 to 17.

DIVIDENDS

The Directors do not recommend the payment of any dividends for the Period.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Company for the Period is set out on page 24.

RESERVES

Details of the movements in reserves during the Period are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital during the Period are set out in note 10 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF OWN SHARES

The Company has not purchased, sold or redeemed any of its shares during the Period.

SHARE OPTION SCHEME

There were no share options granted under the share option scheme adopted by the Company during the Period. Details of the share option scheme are set out in note 13 to the financial statements.

DIRECTORS

The Directors who held office during the Period and up to the date of this report were:

Executive Directors

Ms. Chung Wing Han Wendy	(Appointed on 22 April 2003)
Mr. Fong Chi Wah	(Appointed on 13 February 2004)
Mr. Chou Ping-chun, Benji	(Appointed on 13 February 2004)
Mr. Huang Zhonghe Brad	(Appointed on 13 February 2004 and resigned on 27 February 2004)

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DIRECTORS *(continued)*

Non-executive Director

Mr. Lee Woo Sing (Chairman) *(Note)* (Appointed on 22 April 2003)

Independent non-executive Directors

Dr. Wong Yu Hong Philip (Appointed on 13 February 2004)

Mr. Yao Cho Fai Andrew (Appointed on 13 February 2004)

Dr. Zhang Hongru (Appointed on 13 February 2004)

In accordance with Bye-law 113(A) of the Company's Bye-laws, Ms. Chung Wing Han Wendy and Mr. Chou Ping-chun, Benji, shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The term of office for all Directors of the Company is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-Laws of the Company.

Note: The appointment of Mr. Lee Woo Sing was changed from an Executive Director of the Company to a Non-executive Director of the Company with effect from 27 February 2004.

DIRECTORS' SERVICE CONTRACTS

Executive Directors

Ms. Chung Wing Han Wendy, Mr. Fong Chi Wah and Mr. Chou Ping-chun, Benji all entered into Service Agreements with the Company on 13 February 2004. The Service Agreements took effect on 2 April 2004 ("Commencement Date") for an initial term of three years, which will be renewed automatically for successive terms of one year each from the Commencement Date. Either party may at any time after the expiration of the first 24 months of the term be entitled to terminate the Service Agreement, provided that not less than three months' prior written notice be given to the other party.

Each Executive Director is entitled to a basic salary, subject to an annual increment of not more than 10% of the annual salary at the time of the relevant review at the discretion of the Directors, provided that the salary will not be adjusted prior to 31 March 2005. The Executive Directors may, at the discretion of the Board, be granted share options entitling them to subscribe for shares in the Company under the share option scheme, if any, from time to time adopted by the Company in accordance with the terms and conditions of such share option scheme. Ms. Chung Wing Han Wendy is entitled to a management bonus in respect of the financial year ending 31 March 2005 and each financial year thereafter of the Company in an amount to be determined by the Directors in their absolute discretion (provided that the total amount of bonuses payable to her and all the Executive Directors in respect of any financial year of the Company shall not exceed 5% of the audited net profit of the Company in respect of that financial year of the Company).

The term of office of each non-executive and independent non-executive Director is the period up to his retirement by rotation in accordance with the Company's bye-laws.

Save as disclosed above, no other Director has entered into a service agreement with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

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DIRECTORS' INTERESTS IN SHARES

None of the Directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company was a party and in which any Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

At the balance sheet date, as far as the Directors are aware:

- (a) no person or entity will be, directly or indirectly, interested in 10% or more of the voting power of any general meetings of the Company or otherwise interested in 10% or more of the issued share capital of the Company;
- (b) the following entity/person will have an interest or short position in the ordinary shares of the Company and the underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Cap 571) (the "SFO"):

	Name of Substantial shareholder	Capacity	Number of Shares	Approximate percentage of existing shareholding
1.	Optimize Capital Investments Limited ("Optimize Capital") (Note 1)	Beneficial owner	5,000,000 (long position) (Note 1)	8.33%
2.	Lee Tak Lun (Note 1)	Interest of a controlled corporation (Note 1)	5,000,000 (long position) (Note 1)	8.33%

Note:

1. Optimize Capital is a company incorporated in the British Virgin Islands, and is owned as to 90% by Mr Lee Tak Lun and as to 10% by his daughter, Ms Lee Wai Tsang Rosa. Mr Lee Tak Lun is the son of Mr Lee Woo Sing. Mr Lee Woo Sing is a non-executive Director.

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SUBSTANTIAL SHAREHOLDERS *(continued)*

Save as disclosed above, as far as the Directors are aware, no other person had an interest or short position in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 March 2004.

MANAGEMENT CONTRACTS

No contracts 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 Period.

CONNECTED TRANSACTIONS

Investment Management Agreement

Pursuant to the Investment Management Agreement dated 13 February 2004, the Company appointed AVANTA Investment (International) Limited as its investment manager to provide the Company with investment management services for an initial term of two years commencing on the Listing Date and renewable automatically for successive terms of one year commencing from the day after the expiry of the initial term. The investment management fee of HK\$400,000 per annum, is payable in 12 equal monthly installments in advance.

As the terms of the Investment Management Agreement did not commence until the Listing Date, no investment management fee was paid by the Company during the Period.

AVANTA Investment (International) Limited is regarded as a connected person of the Company under Rule 21.13 of the Listing Rules. Accordingly, the Investment Management Agreement constituted a connected transaction of the Company.

Custodian Agreement

Pursuant to the Custodian Agreement, the Company appointed Wing Hang Bank, Limited as its custodian on 14 February 2004. The custodian has agreed to provide the Company with custodian services in respect of, among others, the safe custody of cash and document of title, 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 commences on the Listing Date and will continue to be in force until terminated by either the Company or the custodian by giving to the other not less than three months advance notice in writing.

Pursuant to the Custodian Agreement, a one-off set up fee of HK\$30,000, a monthly fixed custody fee of HK\$3,000 (subject to adjustment) and certain charges at the agreed rates (subject to revision by the custodian from time to time) for the provision of securities are payable by the Company to the custodian.

As the terms of the Custodian Agreement did not commence until the Listing Date, no custodian fee and other charges were paid by the Company during the Period.

The custodian is regarded as a connected person of the Company under Rule 21.13 of the Listing Rules. Accordingly, the Custodian Agreement constitutes a connected transaction of the Company.

In the opinion of the independent non-executive directors of the Company, the transactions contemplated under the Investment Management Agreement and the Custodian Agreement are on normal commercial terms and were fair and reasonable as far as the shareholders of the Company are concerned.

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PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights in respect of the shares of the Company under the Company's Bye-Laws although there are no restrictions against such rights under the laws of Bermuda.

AUDIT COMMITTEE

The Company established an Audit Committee on 13 February 2004 with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules. The principal duties of the Audit Committee are to review and supervise the financial reporting procedures and internal control system of the Company. The Audit Committee, comprising of the three independent non-executive Directors, has reviewed with the management the accounting principles and practices adopted by the Company and has discussed the auditing, internal control and financial reporting matters for the Period.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules throughout the Period, except that non-executive directors of the Company were not appointed for a specified term but are subject to retirement by rotation and re-election at the annual general meeting of the Company according to the provision of its bye-laws.

AUDITORS

The auditors, BKR Lew & Barr Limited, a corporation of Certified Public Accountants, were appointed as auditors of the Company following the resignation of KPMG on 17 June 2004. BKR Lew & Barr Limited will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lee Woo Sing

Chairman

Hong Kong, 21 July 2004