

MANAGEMENT'S STATEMENT

FINANCIAL RESULTS

For the year ended 31 December 2004, the Company recorded a net loss of HK\$606,511. The loss was mainly attributed by a provision for diminution in value in the amount of HK\$5.5 million on unlisted equity.

INVESTMENT PORTFOLIO

Unlisted equities

The Company held the following unlisted securities as at 31 December 2004:

Name of investee company	Interest held	Cost HK\$'M	Director's valuation HK\$'M	Provision for diminution in investment value HK\$'M	% of net assets of the Company
Korning Investments Limited ("Korning")	6%	18.57	2.5	16.07*	5.6%

* The Company has made a provision for diminution in the investment value for a sum of HK\$10.57 million and HK\$5.5 million for the financial year 2003 and year 2004 respectively.

Korning indirectly holds 60% of an established Pharmaceutical Joint Venture, Huayi Pharmaceutical Company Limited ("Huayi") in Beijing, PRC. Pursuant to the shareholders' agreement entered into between Yacata Limited ("Yacata"), Korning and the Company dated 1st August 2002 ("Shareholders Agreement"), the Company had made an advance to Korning of RMB1.5 million which is in proportion to its shareholding in Korning for the initial 15% of the required contribution to Huayi in August 2002. Under the investment restriction imposed on the Company, it cannot invest more than 20% of the Company's net asset value on any single investment. The Company continues to hold 13 shares of Korning but its interest in Korning has been diluted from 13% to 6%. In March 2005, the Company has reached the final stage of negotiation in respect of the proposed disposal of its entire interest in Korning to a third party though such disposal is yet to be concluded.

During the year, the Company has disposed its entire interest in Modern Vocal Limited on an "as is" basis free of any representations or undertakings at a nominal value. Modern Vocal holds 90% interest in a sino-foreign joint venture focusing on the development, manufacturing and distribution of internet phone sets and value-store calling cards in major cities in PRC. The investee company's performance has significantly fallen short of its original expectation and the company has decided to stop participating contributions to meet further capital calls and the company has considered the risk of additional losses as a result of certain claim of our potential breach of shareholders' obligations by our non-contribution. The disposal of the investment did not incur any realized loss as full provision has been previously made on the HK\$18 million investment.

Management's Statement

INVESTMENT PORTFOLIO – continued

Listed securities

The Company held the following listed security as at 31 December 2004:–

Name of investee company	Interest held	Investment Cost HK\$'M	Market value HK\$'M	Accumulated unrealised holding loss HK\$'M	% of net assets of the Company
Yanion International Holdings Limited ("Yanion")	4.5%	17.37	16.02	1.35*	35.8%
ProMOS Technologies Inc ("ProMOS")	0.029%	4.73	4.56	0.17	10.2%
		<u>22.10</u>	<u>20.58</u>		46.0%

* The accumulated unrealised holding loss of HK\$1.35 million represents unrealised holding investment loss since purchase in year 2002.

Yanion International Holdings Ltd ("Yanion"), is a company listed in Hong Kong, engages in manufacturing, trading and contracting of Chinese medicine products in PRC. The share price of Yanion rebound 55% this year from HK\$0.40 per share at the beginning of this year to HK\$0.62 per share at the end of 2004. The Hang Seng Index, nevertheless, reached 14,230 points representing a 13% increase from last year. The performance of Yanion share has obviously outperformed the market. The Company has realized 2.26 million Yanion shares during the year with a realized loss of HK\$53,000. However, the rebound in share prices in Yanion contributed to an unrealized profit of HK\$6.3 million accrued to our remaining shareholding. Subsequent to year end, the Company has sought to further reduce our holdings in Yanion. At the date of this report, the Company has reduced our equity interest in Yanion below 1% representing around 8% of the net assets value of the Company at the time of disposal.

ProMOS Technologies Inc, a Taiwan listed company, engages in manufacturing of high-performance and high-density commodity DRAM memory chips as well as pseudo-SRAM, lower power SDRAM and MCM products. The share price closed NT\$14.2 by ended of year 2004 with 21% increase in share price. The Company invested in their equity-linked-notes (ELNs) in July 2004 and then subsequently converted the ELNs into ordinary shares. Part of the shares have been disposed during the year with a realized loss of HK\$290,000. At the date of this report, the Company has reduced our equity interest in ProMOS below 0.003% representing around 0.6% of the net assets value of the Company at the time of disposal.

The Company has also generated HK\$1.53 million realized profit upon disposal of other Taiwan listed shares traded during the year.

No dividend was received from the listed securities during the year.

Management's Statement

Debt securities

The Company has no debt securities as at 31 December 2004.

The Company received a HK\$234,000 interest income from certain debt securities traded during the year.

BUSINESS REVIEW AND PROSPECT

During the year, information in relation to those matters set out in paragraph 32 of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the performance of the investment of the Company have not been changed materially since the most recent published annual report.

In the year of 2004, the Company re-directed more resources in the trading of listed securities as compared with unlisted securities due to the lack of any particular opportunities in direct investments. For the listed securities, the Company made a realized profit and unrealized profit of HK\$1.2 million and HK\$6.1 million respectively. For prudent sake, the Company has made a HK\$5.5 million provision for an unlisted investment. The Company has generated a total income of HK\$2.17 million before administrative and operating expenses.

In March 2005, the Company has reached the final stage of negotiation in respect of the proposed disposal of its entire interest in Korning though such disposal is yet to be concluded as at the date of this announcement.

In order to reduce the investment manager expenses, the Company in March 2005 has entered into an agreement with its investment manager, China Core Capital Management Limited ("China Core") whereby both parties have agreed to terminate the investment management agreement entered into between them on 18 February 2002. The Company also entered into an agreement with a licensed asset management company for the proposed appointment of that company as the new investment manager. The aforesaid two agreements will not take effect until the Company has obtained the clearance by the Stock Exchange of the announcement concerning the proposed appointment.

For the year 2004, Greater China achieved a significant growth especially in Hong Kong and Mainland China. The liberation of travel between Hong Kong and Mainland, strong economic in Mainland and the Closer Economic Partnership Agreement ("CEPA") are factors contributing to the strong 7.5% GDP growth in Hong Kong. Mainland China also denoted a strong growth in 9.5% GDP driven by steady strong growth in external trades, domestic demand. Nevertheless, the likely future global interest rates are on an upward trend, the calls to break the Renminbi's peg to the U.S. dollar and the macro economic measures implemented with a view to slowing the Mainland economy are uncertain factors which pose significant challenges to the investors in 2005. Looking ahead, the Board still believes that the Company will benefit from the blooming economies in the Greater China Region.

Management's Statement

BUSINESS REVIEW AND PROSPECT – continued

The Company will continue to adopt the strategy of investing more in listed equities with more liquidity. Capital market instruments such as bonds, equity-linked-notes (ELNs) would also be our investment products. For the direct investment, the Company would move along the direction of investing in well established if not more matured projects so as to establish a more balanced portfolio with steady cash inflow rather than “concept” unlisted equities although we are not ruling out any other direct investment opportunities which may fit our investment objectives.

LIQUIDITY, CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2004, the Company had cash and bank balances of HK\$15 million. The management believes that the Company maintained sufficient working capital for its operation. As at 31 December 2004, the Company had no capital commitment and contingent liabilities.

CAPITAL STRUCTURE

During the year, the share capital structure of the Company remained the same as at 31 December 2003.

FOREIGN CURRENCY FLUCTUATION

The Company believes that the foreign exchange risk is minimal as the Company mainly uses Hong Kong dollars and United States dollars to carry out its business transactions.

STAFF

As at 31 December 2004, the Company employed one employee. Total staff cost including contributions to Mandatory Provident Fund scheme, excluding directors' remuneration, paid during the year was approximately HK\$296,000. Staff remuneration packages are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employee.

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

The Company did not purchase, sell or redeem any of the Company's listed securities during the year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange throughout the year except there are no service contract with independent Non-executive Directors.

Management's Statement

AUDIT COMMITTEE

The audit committee, which comprises of three independent Non-executive Directors of the Company, has reviewed with management the accounting principles and practices adopted by the Company and discussed auditing, internal controls and financial reporting matters. The audit committee of the Company has reviewed the audited financial statements for the year ended 31 December 2004.

On behalf of the Board

Ma Kam Fook, Robert

Executive Director

Hong Kong, 22 April 2005