

## REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2004.

### 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 USA, 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 2004 are set out in the income statement on page 16.

### 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\$34,439,000 as at 31 December 2004.

## Report of the Directors

### 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  
Mr. Chu Wai Lim (appointed on 19 January 2005)

#### *Non-executive Director:*

Mr. Joel Lazare Hohman (resigned on 15 December 2004)

#### *Independent non-executive Directors:*

Mr. Foo Chi Ming (appointed on 28 September 2004)  
Mr. Wong Chi Keung (appointed on 28 September 2004)  
Ms. Li Pik Ha (appointed on 19 January 2005)  
Mr. Chan Wai Dune (resigned on 28 September 2004)  
Mr. Fung Choi On (resigned on 19 January 2005)

In accordance with Article 88 of the Company's Articles of Association, Mr. Chu Wai Lim, Mr. Wong Chi Keung, Ms. Li Pik Ha and Mr. Foo Chi Ming, will retire by rotation at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.

### DIRECTORS' SERVICE CONTRACTS

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.

All independent non-executive Directors have been appointed for a term of two years.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 31 December 2004, none of the Directors, 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 14 to the financial statements.

## Report of the Directors

### 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. China Core is wholly-owned by Mr. Ma Kam Fook, Robert, an executive Director of the Company ("Mr. Robert Ma").

During the year, the Company paid investment management fees of HK\$1,272,541 to China Core.

- (b) Jensmart International Limited, a company which is wholly-owned by Mr. Robert Ma, had performed certain office administrative services for the Company during the year, 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, on terms no less favourable than terms available from independent third parties, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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.

## Report of the Directors

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Name of shareholder	Capacity	Notes	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Big Draw Limited	Held by controlled corporation	(1)	10,000,000	9.71%
First Deals Trading Limited	Held by controlled corporation	(2)	10,000,000	9.71%
First Win Trading Limited	Held by controlled corporation	(3)	10,000,000	9.71%
First Pink Limited	Held by controlled corporation	(4)	10,000,000	9.71%
I-Deluxe Assets Limited	Held by controlled corporation		10,000,000	9.71%
Ma Kai Chiu	Beneficial owners		8,000,000	7.77%
B & D Investments Limited	Help by controlled corporation	(5)	5,384,000	5.23%

*Notes:*

- (1) Mr. Lo Wai Leung is the director of Big Draw Limited.
- (2) Mr. Yu Ho Wing is the director of First Deals Trading Limited.
- (3) Mr. Yip Wai Leung, Jerry is the director of First Win Trading Limited.
- (4) Mr. Chan Tak Hung is the director of First Pink Limited; and
- (5) B & D Investments Limited is beneficially owned by Mr. Ng Bing Sun, Benson.

### CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange except there are no service contract with independent Non-executive Directors.

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Appendix 10 to the Rules Governing the Listing of Securities of the Stock Exchange (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

## Report of the Directors

### **CORPORATE GOVERNANCE** – *continued*

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange (“Listing Rules”). The Company considers all of the independent non-executive directors are independent.

### **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 three 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 2005