

REPORT OF THE DIRECTORS

The Board of Directors (“Board”) of the Company is pleased to submit their report together with the audited financial statements of the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investing in listed and unlisted companies established and/or doing business in the Asia Pacific Region, mainly the People’s Republic of China, excluding Hong Kong and Macau (the “PRC”), Hong Kong, and other Asian countries. Details of the principal activity of the subsidiary is set out in note 9 to the financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

RESULTS AND APPROPRIATIONS

The Group’s loss for the year ended 31 December 2004 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 20 to 40.

The Board does not recommend the payment of a final dividend.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last two financial years and the period from 14 May 2002 (date of incorporation) to 31 December 2002, as extracted from the audited financial statements, is set out below. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 December 2004 HK\$’000	Year ended 31 December 2003 HK\$’000	Period from 14 May 2002 (date of incorporation) to 31 December 2002 HK\$’000
TURNOVER	39,599	57,701	–
LOSS BEFORE TAXATION	(16,443)	(13,033)	(4,546)
TAXATION	–	–	–
LOSS ATTRIBUTABLE TO SHAREHOLDERS	(16,443)	(13,033)	(4,546)

SUMMARY FINANCIAL INFORMATION (Continued)**ASSETS AND LIABILITIES**

	At 31 December 2004 HK\$'000	At 31 December 2003 HK\$'000	At 31 December 2002 HK\$'000
TOTAL ASSETS	63,081	80,213	96,124
TOTAL LIABILITIES	(1,284)	(1,973)	(1,973)
	61,797	78,240	94,151

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital and share options during the year.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "SO Scheme") on 7 October 2002 (the "Adoption Date") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the SO Scheme include any persons being employees, officers, agents, consultants or representatives of the Group. The SO Scheme became unconditional on 28 October 2002 upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and, unless otherwise cancelled or amended, will remain in force for 10 years from the Adoption Date.

The maximum number of shares issuable under share options to each eligible participant in the SO Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options to any eligible participant in excess of this limit is subject to shareholders' approval in a general meeting. The total number of shares which may be issued upon exercise of all share options to be granted must not represent more than 10% of the nominal amount of all the issued shares of the Company (the "10% Limit") as at the date on which trading in the shares of the Company on the Stock Exchange first commenced. The Company may seek approval from its shareholders in a general meeting to refresh the 10% Limit at any time in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The maximum number of unexercised share options currently permitted to be granted under the SO Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue from time to time.

SHARE OPTION SCHEME (Continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, are subject to the approval of the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the share options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to the shareholders' approval in a general meeting in accordance with the Listing Rules.

The offer of a grant of share options shall remain open for acceptance for a period of 28 days from the date of the offer of the grant. The grant of share options is effective upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the share options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the share options; and (iii) the nominal value of the Company's shares.

Further details of the SO Scheme are disclosed in the prospectus of the Company dated 15 October 2002.

No share option has been granted since the Adoption Date.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiary purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 14 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2004, the Company had distributable reserves of HK\$51,266,000. Under the Companies Law (2004 Revision) of the Cayman Islands, the share premium account of the Company of HK\$85,277,000 as at 31 December 2004, is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors

Mr. Chang Chu Fai, Johnson Francis

Mr. Lim Siang Kai

Mr. See Lee Seng, Reason

Independent non-executive directors

Mr. Chung Koon Yan (appointed on 30 September 2004)

Mr. Yue Man Yiu, Matthew

Mr. Zheng Weihe

Pursuant to Article 88(1) of the Articles of Association, Mr. See Lee Seng, Reason will retire by rotation and, being eligible, offers himself for re-election at the forthcoming annual general meeting of the Company (“AGM”).

Pursuant to Article 87(3) of the Articles of Association, Mr. Chung Koon Yan, being director appointed after 2004 annual general meeting of the Company, shall retire and, being eligible, offers himself for re-election at the AGM.

INDEPENDENCE CONFIRMATION

The Company has received, from each of independent non-executive directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**EXECUTIVE DIRECTORS**

Mr. Chang Chu Fai, Johnson Francis, aged 50, has been an executive director of the Company since 16 May 2002. He graduated with an MBA degree from York University in Toronto, Canada in 1977 and also holds a bachelor's degree in commerce from Concordia University in Montreal, Canada in 1976. He is an investment adviser registered with the Securities and Futures Commission ("SFC") under the Securities Ordinance. Mr. Chang has over 25 years of experience in banking, investment and corporate finance field. Since January 2000, Mr. Chang has been the managing director of Ceres Capital Limited, an investment adviser registered with the SFC under the Securities Ordinance engaged in the provision of corporate finance advisory services.

Currently, he is also an independent non-executive director of Tian An China Investment Company Limited and Quality HealthCare Asia Limited, both companies are listed on the Stock Exchange.

Mr. Chang is mainly responsible for overall investment strategies, risk management and financial management of the Company.

Mr. Lim Siang Kai, aged 48, joined the Company as executive director since 16 May 2002. He holds a bachelor of arts degree from University of Singapore, a bachelor of social science (honours) degree from the National University of Singapore and a master of arts in economics from the University of Canterbury, New Zealand. Prior to joining the Company, Mr. Lim held various positions in banks, financial services companies and a fund management company and has over 20 years of experience in the securities, private and investment banking and fund management industries.

Mr. Lim is mainly responsible for identifying investment opportunities for the Company, in particular, in Greater China and investor relations.

Mr. See Lee Seng, Reason, aged 46, joined the Company as executive director since 16 May 2002. He has over 20 years of experience in fund and portfolio management, securities dealing and investment advisory services over the bullion, forex, units trusts, equity and commodity futures markets. He is an investment adviser and commodity trading adviser registered with the SFC under the Securities Ordinance. Mr. See has held various executive positions of the Hong Kong Securities Professionals Association since 1996 and currently is a committee member. In 1994, Mr. See founded Keen Shing Fund Manager & Consultant Limited (formerly known as Keen Shing Investment Consultants Limited) ("Keen Shing"), an investment adviser and commodity trading adviser registered with the SFC and has been its managing director since inception and he is responsible for overall management of Keen Shing. Mr. See is the managing director of Golden Honour Assets Management Limited, a SFC registered Investment Adviser and the investment manager of the Company.

Mr. See is mainly responsible for formulation of investment strategies and portfolio management of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)**INDEPENDENT NON-EXECUTIVE DIRECTORS**

Mr. Chung Koon Yan, aged 41, appointed as an independent non-executive director of the Company since 30 September 2004. He is a practising member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and an associate member of The Institute of Chartered Accountants in England and Wales. He graduated from The Hong Kong Polytechnic University with a Master of Professional Accounting. Mr. Chung is a director of Chiu, Choy & Chung CPA Ltd. and has more than 15 years experience in accounting, auditing and taxation.

Mr. Yue Man Yiu, Matthew, aged 43, appointed as an independent non-executive director of the Company since 4 June 2002. He graduated from The Chinese University of Hong Kong with a bachelor's degree of business administration in 1984. He is a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute. He has over 15 years of experience in the financial control and company secretariat functions in the financial service industry. He is presently the chief financial officer of a business consultancy company.

Mr. Zheng Weihe, aged 39, appointed as an independent non-executive director of the Company since 4 June 2002. He graduated from Nankai University (南開大學) in Tianjin, the PRC with a bachelor of law degree in 1988 and a master degree in the law of securities in 1991. From 1991 to 1994, he was a lawyer at a Shenzhen law firm. Since 1994, he has been a partner of Shu Jin & Co., a law firm licensed to practise in the PRC. Mr. Zheng has experience in the area of securities law, corporate law and commercial law in the PRC. He has been involved in various initial public offerings of securities in the PRC as well as corporate restructuring, mergers and acquisitions. He is a lawyer authorised by the China Securities Regulatory Commission and the Ministry of Justice of the PRC and has acted as the legal consultant to more than 10 listed companies in the PRC.

SENIOR MANAGEMENT

Mr. Lee Kwok Hung, aged 45, is the general manager of the Company. He graduated from the Chinese University of Hong Kong in 1984 with Marketing as major. Mr. Lee has been in the field of China trade for over 18 years. Mr. Lee is in charge of overall administration of the Company.

Mr. Tse Kam Fai, aged 41, is the company secretary of the Company. Mr. Tse is an associate of The Institute of Chartered Secretaries and Administrators and of The Hong Kong Institute of Company Secretaries. He is also a member of Hong Kong Securities Institute. He is currently the company secretary of other three companies whose shares are listed on the Stock Exchange and has more than 10 years' experience in handling listed company secretarial and compliance related matters.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Other than the related party and connected transactions which are disclosed under the heading "RELATED PARTY AND CONNECTED TRANSACTIONS" below, no director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or its subsidiary was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2004, the interest or short positions of the directors in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), are set out below:

Aggregate long position in the shares, underlying shares and debentures of the Company

Name of director	Type of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Chang Chu Fai, Johnson Francis (<i>Note 1</i>)	Interest of controlled corporation	1,355,000	1.3
Mr. Lim Siang Kai (<i>Note 2</i>)	Interest of controlled corporation	1,355,000	1.3
Mr. See Lee Seng, Reason (<i>Note 3</i>)	Interest of controlled corporation	1,355,000	1.3

DIRECTORS' INTERESTS IN SHARES (Continued)**Aggregate long position in the shares, underlying shares and debentures of the Company (Continued)***Notes:*

1. By virtue of the SFO, Mr. Chang Chu Fai, Johnson Francis is deemed to be interested in 1,355,000 shares in the Company. These shares are held by Megabase Developments Limited, a company incorporated in the British Virgin Islands ("BVI") with limited liability and is beneficially owned by Mr. Chang Chu Fai, Johnson Francis.
2. By virtue of the SFO, Mr. Lim Siang Kai is deemed to be interested in 1,355,000 shares in the Company. These shares are held by Wise Guard Enterprises Limited, a company incorporated in the BVI with limited liability and is beneficially owned by Mr. Lim Siang Kai.
3. By virtue of the SFO, Mr. See Lee Seng, Reason is deemed to be interested in 1,355,000 shares in the Company. These shares are held by Asset Home Group Limited, a company incorporated in the BVI with limited liability and is beneficially owned by Mr. See Lee Seng, Reason.

Save as disclosed above, none of the directors had registered an interest or short position in the shares or underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Apart from those as disclosed in the section headed "Share Option Scheme" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or its subsidiary a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2004, the interests or short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, are set out below:

1. Aggregate long position in the shares and underlying shares of the Company

Name of shareholder	Type of interest	Number of ordinary shares held	Total no. of ordinary shares held	Percentage of the Company's issued share capital
Ms. Zhang Yunxia (<i>Note a</i>)	Interest of controlled corporation	22,760,000	22,760,000	21.59
Profitone Company Limited (<i>Note a</i>)	Beneficial owner	22,760,000	22,760,000	21.59
Mr. Lee Wing Ngai (<i>Note b</i>)	Beneficial owner Interest of spouse	3,690,000 1,970,000	5,660,000	5.37
Ms. Wong Wai (<i>Note b</i>)	Beneficial owner Interest of spouse	1,970,000 3,690,000	5,660,000	5.37
Mr. Leung Kin Keung (<i>Note c</i>)	Beneficial owner Interest of spouse	8,768,000 342,000	9,110,000	8.64
Ms. Fung Pui Ming (<i>Note c</i>)	Beneficial owner Interest of spouse	342,000 8,768,000	9,110,000	8.64

Notes:

- By virtue of the SFO, Ms. Zhang Yunxia is deemed to be interested in 22,760,000 shares in the Company. These shares are held by Profitone Company Limited, a company incorporated in the BVI with limited liability and is beneficially owned by Ms. Zhang Yunxia.
- These shares are held by Mr. Lee Wing Ngai and his spouse, Ms. Wong Wai, and by virtue of the SFO, each of them is deemed to be interested in 5,660,000 shares in the Company.
- These shares are held by Mr. Leung Kin Keung and his spouse, Ms. Fung Pui Ming, and by virtue of the SFO, each of them is deemed to be interested in 9,110,000 shares in the Company.

SUBSTANTIAL SHAREHOLDERS (Continued)**2. Aggregate short position in the shares and underlying shares of the Company**

At 31 December 2004, the Company had not been notified of any short positions being held by any substantial shareholders in the shares or underlying shares of the Company.

RELATED PARTY AND CONNECTED TRANSACTIONS

- (i) Pursuant to the Investment Management Agreement dated 7 October 2002 (“IMA”) entered into between the Company and Golden Honour Assets Management Limited (the “Investment Manager”), the Investment Manager has agreed to provide the Company with investment management services (excluding general administrative services) for a three-year period commencing from 28 October 2002, the date of the commencement of the trading of the Company’s shares on the Stock Exchange. The IMA will continue for successive periods of three years, unless terminated at any time by either the Company or the Investment Manager serving not less than six months’ notice in writing to the other party, and will expire on the last day of the three-year period or any of the relevant successive periods.

Under the IMA, the Investment Manager is entitled to a monthly management fee equivalent to 2.5% per annum of the net assets value of the Company as at the last dealing day on the Stock Exchange in each calendar month (or such other dealing day as considered appropriate by the board of directors for the purpose of calculating the net assets value of the Company), calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days. In addition, the Investment Manager is also entitled to an annual incentive fee equivalent to 15% of a surplus in the net assets value of the Company over a financial year or period.

For the year ended 31 December 2004, the investment management fee paid / payable to the Investment Manager for the services rendered amounted to HK\$1,868,000.

Mr. Chang Chu Fai, Johnson Francis and Mr. Lim Siang Kai, both being executive directors of the Company, each have a 15% equity interest in the Investment Manager, Mr. See Lee Seng, Reason who is also an executive director of the Company, has a 35% equity interest in the Investment Manager and is one of the directors of the Investment Manager.

In accordance with the requirements of the waiver granted by the Stock Exchange on 28 October 2002, the independent non-executive directors of the Company confirmed that:

- (a) the transaction pursuant to the IMA has been entered into in the ordinary and usual course of the business of the Company;
- (b) the transaction pursuant to the IMA has been entered into on normal commercial terms and on an arm’s length basis;
- (c) the transaction pursuant to the IMA has been entered into on terms that are fair and reasonable so far as the shareholders of the Company and the Company are concerned; and

RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

- (d) the aggregate amount of the investment management fee and the incentive fee paid / payable to the Investment Manager did not exceed 5% of the net tangible assets as disclosed in the audited financial statements of the Group for the year ended 31 December 2004.
- (ii) Pursuant to the sub-tenancy agreement dated 10 June 2003 entered into between the Company and Ceres Capital Limited (“Ceres”), the Company agreed to sublet its office premises from Ceres, which is owned as to approximately 33% by Mr. Chang Chu Fai, Johnson Francis, for a period of two years commencing on 1 July 2003 at HK\$8,500 per month.

The above transactions constitute connected transactions under Chapter 14A of the Listing Rules and related party transactions under the applicable accounting standard issued by the Hong Kong Institute of Certified Public Accountants. Details of these related party and connected transactions are disclosed in note 18 to the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the “Code”) as set out in then effective Appendix 14 to the Listing Rules throughout the year ended 31 December 2004 except that the independent non-executive directors are not appointed for specific term but subject to retirement by rotation.

AUDIT COMMITTEE

The Company has an audit committee (the “Committee”) which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Committee comprises three independent non-executive Directors of the Company, Mr. Chung Koon Yan, Mr. Yue Man Yiu, Matthew and Mr. Zheng Weihe. The Committee has reviewed the financial results of the Group for the year ended 31 December 2004. Two meetings were held during the current financial year.

AUDITORS

Ernst & Young resigned as auditors of the Company with effect from 7 December 2004 and Grant Thornton were appointed as auditors of the Company to fill the casual vacancy with effect from 4 February 2005. There have been no other changes of auditors in the past three years.

Grant Thornton will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Chang Chu Fai, Johnson Francis
Executive Director

Hong Kong, 25 April 2005