

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Group is principally engaged in investing in listed and unlisted securities. The activities of the subsidiaries of the Company are set out in note 15 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 17 to 45.

The Directors do not recommend the payment of a final dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 19 to the financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movement in the reserves of the Company during the year are set out on page 20.

Under the Companies Law of the Cayman Islands, share premium of the Company is available for distributions or paying 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. There were no reserves available for distribution in both years ended 31 December 2004 and 2003.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial year/period is set out on page 46 of the annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's entire turnover is derived from the Group's investments in listed and unlisted securities and thus the disclosure of customers and suppliers information would not be meaningful.

Report of the Directors

DIRECTORS

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

Executive Directors

Mr. Ng Hon Cheung, Sannio	
Ms. Wan Ho Yan, Letty	(appointed on 31 December 2004)
Mr. Wong Wai Kwok	(appointed on 15 February 2005)
Mr. Wong Hon Kit	(appointed on 25 October 2004 and resigned on 31 December 2004)
Mr. Wan Chuen Hing, Alexander	(resigned on 1 November 2004)

Independent Non-executive Directors

Mr. Yan Mou Keung, Ronald	
Mr. Cheng Wing Keung, Raymond	(appointed on 30 September 2004)
Mr. Lo Wah Wai	(appointed on 30 September 2004)
Mr. Lok Shing Kwan, Sunny	(resigned on 30 September 2004)

In accordance with Article 87(3) of the Company's Articles of Association, all Directors shall hold office only until the forthcoming annual general meeting of the Company and shall then be eligible for re-election.

None of the Directors 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.

DIRECTORS' SERVICE CONTRACTS

Mr. Wan Chuen Hing, Alexander's service contract with the Company had been terminated on 1 November 2004 upon his resignation as director of the Company with mutual agreement for shorter notice of termination.

Mr. Wong Hon Kit's service contract with the Company had been terminated on 31 December 2004 upon his resignation as director of the Company with mutual agreement for shorter notice of termination.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 December 2004, none of the Directors, chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO") as recorded in the register required to be kept under Section 352 of the SFO 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.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 20 to the financial statements. No option has been granted or agreed to be granted under the share option scheme from the date of adoption of the scheme.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as disclosed in note 20 to the financial statements, at no time during the year was the Company or its subsidiaries 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 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

Other than the connected transactions as disclosed in note 23 to the financial statements, there are no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules and no contract of significance, to which the Company or its subsidiaries 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' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2004, so far as was known to the Directors, the following, not being a director or a chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings or any other member of the Group:

Long Position in Shares

Name	Notes	Number of Shares	Type of interest	Approximately percentage of issued share capital of the Company
Cosmopolitan International Holdings Limited	1	126,412,000	Interest of controlled corporation	26.34%
Wan Chuen Chung, Joseph	2	95,976,000	Interest of controlled corporation	19.99%
Kenfair International (Holdings) Limited	3	92,616,000	Interest of controlled corporation	19.30%
Lam Sai Mann	4	45,600,000	Interest of controlled corporation	9.50%
Cheng Fat Ning, Lenda	5	44,164,000	Interest of controlled corporation	9.20%

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(continued)*

Notes:

1. Cosmopolitan International Holdings Limited is deemed to be interested in 126,412,000 Shares held by Core Success Limited. Core Success Limited is wholly-owned by Cosmopolitan International Holdings Limited, whose shares are listed on the Stock Exchange.
2. Wan Chuen Chung, Joseph is deemed to be interested in 95,976,000 shares held by International Securities Investment Limited. International Securities Investment Limited is indirectly wholly-owned by Wan Chuen Chung, Joseph.
3. Kenfair International (Holdings) Limited is a company, whose shares are listed on the Stock Exchange.
4. Lam Sai Mann is deemed to be interested in 45,600,000 shares held by Joint Success Limited. Joint Success Limited is wholly owned by Lam Sai Mann.
5. Cheng Fat Ning, Lenda is deemed to be interested in 44,164,000 shares held by Best News Investments Limited. Best News Investments Limited is wholly-owned by Cheng Fat Ning, Lenda.

Save as disclosed above, the Directors are not aware of any person who has an interest or short position in the shares or underlying shares of the Company (which is discloseable under Divisions 2 and 3 of the Part XV of the SFO), or is directly or is indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (which is discloseable under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")).

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

During the year ended 31 December 2004, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2004, the Directors had not aware of any business or interest of the directors and their associates that compete or may compete with the business of the Group and any their conflicts of interests which any such person has or may have with the Group.

AUDIT COMMITTEE

The audit committee of the Company currently comprises three Independent Non-executive Directors. The principal duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group. The audit committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management. The Group's audited consolidated financial statements for the year ended 31 December 2004 have been reviewed by the audit committee at the audit committee meeting on 22 April 2005.

CODE OF BEST PRACTICE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, during the year, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the Independent Non-executive Directors are not appointed for a specific terms as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with Company's Articles of Association.

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, which would oblige the Company to offer new shares on a pro-rata to existing shareholders.

AUDITORS

The Group's financial statements for the years ended 31 December 2002 and 2003 were audited by Messrs. Deloitte Touche Tohmatsu and Messrs. Charles Chan, Ip & Fung CPA Ltd. respectively.

Messrs. Charles Chan, Ip & Fung CPA Ltd. resigned as auditors of the Company on 17 February 2005 and Messrs. KLL Associates CPA Limited were appointed as auditors of the Company on 25 February 2005.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. KLL Associates CPA Limited.

On behalf of the Board

China Investment Fund Company Limited

Ng Hon Cheung, Sannio

Director

Hong Kong , 22 April 2005