



Directors' Report

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries (collectively the "Group") are set out in note 14 to the financial statements. An analysis of the Group's performance for the year by business is set out in note 3 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 Group and the Company at that date are set out in the financial statements on pages 24 to 61.

The Directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 24 to the financial statements.

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DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$200,000.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the share capital of the Company are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2004, the distributable reserves of the Company available for distribution as dividend amounted to HK\$80,220,000 represented by the contributed surplus of HK\$213,978,000 after compensating the accumulated losses of HK\$133,758,000. Under the Bermuda Companies Act, the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued capital and share premium accounts.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws and there was no restriction against such rights under the laws of Bermuda.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 62.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

DIRECTORS

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

Executive Directors:

Mr. TSANG Chiu Mo Samuel *(appointed as Executive Chairman on 7 April 2004)*
Ms. CHU Ming Tak Evans Tania
Mr. TSANG Chiu Ching

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Independent Non-executive Directors:

Mr. YU Yun Kong
Mr. SZETO King Pui Albert *(resigned on 19 July 2004)*
Mr. CHEUNG Ka Wai *(resigned on 3 January 2005)*
Mr. HUI Yan Kit *(appointed on 19 July 2004)*
Mr. HUNG Sui Kwan *(appointed on 3 January 2005)*

In accordance with Bye-Law 87 of the Company's Bye-Laws, all Directors retire at the forthcoming annual general meeting by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Mr. SZETO King Pui Albert, one of the Independent Non-executive Directors of the Group during the year, is a partner of Chiu, Szeto & Cheng Solicitors, a firm of solicitors in Hong Kong which provides legal and professional services to the Group and receives professional fees for such services at market rates.

Save as disclosed above, no contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or holding companies 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.

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors:

Mr. TSANG Chiu Mo Samuel, aged 32, brother of the Company's Executive Director, Mr. TSANG Chiu Ching, was appointed as Executive Chairman in April 2004. He is responsible for the Group's strategic planning, business development and corporate finance portfolio. Mr. Tsang is a director of Barsmark Investments Limited, a substantial shareholder of the Company and a director of China Sky Investments Limited and China Sky Finance Limited.

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Mr. TSANG holds a Master degree in Corporate Finance. Prior to joining the Group, he has gained broad experience working with international firms in building and construction, hotel management, financing and strategic investment.

Ms. CHU Ming Tak Evans Tania, aged 47, joined the Group in 1999 and was appointed as Executive Director in January 2001. She is responsible for overseeing the Group's financial and investment related activities.

Ms. CHU received her tertiary education in Canada. Prior to joining the Group, she had more than 12 years of experience working in the financial field of various commercial enterprises both in Hong Kong and Canada.

Mr. TSANG Chiu Ching, aged 29, brother of the Company's Executive Chairman, Mr. TSANG Chiu Mo Samuel, was appointed as Executive Director in September 1999. He is responsible for the evaluation and implementation of business development strategies, as well as investment activities. Mr. TSANG is also a director of Barsmark Investments Limited, a substantial shareholder of the Company and a director of China Sky Investments Limited and China Sky Finance Limited.

Before joining the Group, Mr. TSANG worked in a finance company responsible for corporate finance functions, direct investments and project financing.

Independent Non-Executive Directors:

Mr. YU Yun Kong, aged 38, was appointed as an Independent Non-executive Director in January 2001. He is a fellow member of the Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants.

Mr. SZETO King Pui Albert, aged 50, was appointed as an Independent Non-executive Director in January 2000. Mr. SZETO is a qualified solicitor in England and Wales and Hong Kong and a partner of Chiu, Szeto and Cheng Solicitors in Hong Kong.

Mr. CHEUNG Ka Wai, aged 35, was appointed as an Independent Non-executive Director in November 2002. He is currently working as a finance manager in an international corporation which provides financial management services.

Mr. HUI Yan Kit, aged 32, was appointed as an Independent Non-executive Director in July 2004. Before joining the Group, Mr. HUI had more than 8 years of experience in sales and marketing both in Hong Kong and China. He is currently a sales and marketing manager of an international corporation engaged in plastic material manufacturing and trading.

Mr. HUNG Sui Kwan, aged 36, was appointed as an Independent Non-executive Director in January 2005. Mr. HUNG is a fellow member of the Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, Mr. HUNG worked for an international accounting firm for three years and has been a sole proprietor of a local certified public accountants firm since 1997. He is currently the company secretary of Get Nice Holdings Limited, a listed company in Hong Kong.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2004, the interests and short positions of each of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO; or (iii) have to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") were as follows:

Long position in shares

Name of Director	Nature of interests	Number of shares held	Approximate percentage of total shareholding
Mr. TSANG Chiu Ching	Beneficial	2,260,000	0.1%
	Corporate	1,078,383,900 (note)	52.2%
Mr. TSANG Chiu Mo Samuel	Corporate	1,078,383,900 (note)	52.2%

Note: These shares are beneficially owned by Barsmark Investments Limited, the issued share capital of which is indirectly beneficially owned as to one-third by each of Mr. TSANG Chiu Mo Samuel, Mr. TSANG Chiu Ching and Ms. TSANG Chiu Yuen Sylvia. Ms. TSANG Chiu Yuen Sylvia is the sister of Mr. TSANG Chiu Mo Samuel and Mr. TSANG Chiu Ching.

Save as disclosed above, none of the Directors and Chief Executives (including their spouse and children under 18 years of age) of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Division 7 & 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have such provisions 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 contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2004, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those in respect of the Directors and chief executive as disclosed above.

Long position in shares

Name of shareholder	Nature of interests	Number of shares held	Approximate percentage of total shareholding
Barsmark Investments Limited	Beneficial	1,078,383,900	52.2%
China Sky Investments Limited (Note)	Corporate	1,078,383,900	52.2%
Conba Investments Ltd. (Note)	Corporate	1,078,383,900	52.2%
Sky Shore Limited (Note)	Corporate	1,078,383,900	52.2%
Fortune Ocean Limited (Note)	Corporate	1,078,383,900	52.2%
Ms. TSANG Chiu Yuen Sylvia (Note)	Corporate	1,078,383,900	52.2%

Note: Barsmark Investments Limited is wholly and beneficially owned by China Sky Investments Limited, the issued share capital of which is beneficially owned as to one-third by each of (i) Conba Investments Ltd. (a company wholly and beneficially owned by Mr. TSANG Chiu Mo Samuel); (ii) Sky Shore Limited (a company wholly and beneficially owned by Ms. TSANG Chiu Yuen Sylvia); and (iii) Fortune Ocean Limited (a company wholly and beneficially owned by Mr. TSANG Chiu Ching).

Save as disclosed above, no other person other than the Directors or Chief Executives of the Company had interests or short positions in the Shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The five major customers of the Group were attributable to the money lending business and general merchandise trading business. The five major suppliers of the Group were attributable to travel agency business, general merchandise trading business and health and beauty services. The percentages of the sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales

– the largest customer	2%
– five largest customers combined	4%

Purchases

– the largest supplier	93%
– five largest suppliers combined	96%

None of the Directors, their associates or any shareholder (which, to the knowledge of the Directors, owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

CONNECTED TRANSACTIONS

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In December 2004, China Sky Investments Limited ("China Sky"), the ultimate holding company, acquired 85% interest in each of the two unincorporated syndicates from the then syndicate partners of the Company. China Sky is beneficially interested in 52.2% issued share capital of the Company as at 31 December 2004.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the Directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the year, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the Directors were not appointed for a specific term but subject to retirement by rotation in annual general meetings of the Company in accordance with the Bye-Laws of the Company.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Board of Directors and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. YU Yun Kong, Mr. HUI Yan Kit and Mr. HUNG Sui Kwan. Two meetings were held during the current financial year. Audit Committee had met with the management of the Company and the auditors to review the final results, considered the significant accounting policies, and discussed with the management of the Group's internal control system. The Group's consolidated financial statements for the year ended 31 December 2004 have been reviewed and approved by the Audit Committee.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Mr. TSANG Chiu Ching and Mr. TSANG Chiu Mo Samuel are the directors of China Sky Finance Limited ("China Sky Finance"). The provision of personal and commercial loan service of China Sky Finance constitutes a competing business to the Group. Apart from the foregoing, none of the management shareholders or substantial shareholders of the Company or any of their respective associates have engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group, or has any other conflict of interests with the Group during the year.

SUBSEQUENT EVENTS

Details of significant subsequent events are set out in note 27 to the financial statements.

AUDITORS

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The Company's auditors, Grant Thornton retire and, being eligible, offer themselves for re-appointment.

PricewaterhouseCoopers were auditors of the Company for the year ended 31 December 2002. Apart from this, there has been no other change of auditors in the past three years.

On behalf of the Board

CHU Ming Tak Evans Tania

Executive Director

Hong Kong, 16 April 2005