

Report of the Directors

The directors of the Company ("Directors") are pleased to present the annual report and the audited financial statements of the Company and the Group for the year ended 30 June 2005.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investing in listed and unlisted companies mainly in Hong Kong and the People's Republic of China (the "PRC"). The activities of the subsidiaries are set out in note 15 to the financial statements.

An analysis of the Group's performance for the year by geographical segments is set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 14 to 41.

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2005.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in the statement of changes in equity.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company and the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 24 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 30 June 2005, amounted to HK\$33,981,219 (Period ended 30 June 2004: HK\$32,689,000), calculated in accordance with the laws of the Cayman Islands.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there was no restriction against such rights under the laws of the Cayman Islands.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last two financial year/period, as extracted from the audited financial statements, is set out on page 42.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

SHARE OPTIONS

The details of the share option scheme adopted by the Company on 30 September 2003 are set out in note 25 to the financial statements. No share option has been granted during the year.

DIRECTORS

The directors of the Company who held office during the year and up to the date of this report were as follows:

Executive directors

Mr. Yau Chung Hong

Mr. Pong Po Lam

Mr. Chui Tak Keung, Duncan (appointed on 26 January 2005)

Mr. Chow Ka Wo, Alex (appointed as non-executive director on 26 January 2005 and redesignated as executive director on 12 September 2005)

Mr. Walter Gilbert Mearns Nimmo (retired on 2 December 2004)

Non-executive directors

Mr. Wang Zeng Jie (resigned on 12 September 2005)

Mr. Ma Kwok Keung, Kenneth (appointed on 6 August 2004)

Mr. Chow Ka Wo, Alex (appointed as non-executive director on 26 January 2005 and redesignated as executive director on 12 September 2005)

Mr. Cheung Hung (resigned on 6 August 2004)

Independent non-executive directors

Mr. Lam Kwan

Mr. Chan Ming Sun, Jonathan (appointed on 6 August 2004)

Mr. Shiu Siu Tao (appointed on 27 September 2004)

Ms. Hui Sham Ling, Teresa (resigned on 6 August 2004)

In accordance with Article 87(3) of the Company's articles of association, all directors shall retire at the forthcoming annual general meeting. All directors, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting.

DIRECTOR'S SERVICE CONTRACTS

As at 30 June 2005, none of the Directors have entered into any service agreement with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 29 to the financial statements, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, the parties which had interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, were as follows:

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name	Capacity	Number of issued ordinary shares held	Approximate % of the issued share capital
Li Yiu Keung	Beneficial owner	11,200,000	15.1%

Save as disclosed above, as at 30 June 2005, the Directors were not aware of any other person who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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, the chief executive or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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.

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company during the year, which are or may be material:

- A placing agreement dated 18 November 2004 as disclosed in the Company's announcement dated 19 November 2004; and
- A placing agreement dated 18 February 2005 as disclosed in the Company's announcement dated 18 February 2005.

Save as disclosed, no other material contract (not being contract entered into in the ordinary course of business) has been entered into by any member of the Group during the year.

LITIGATION

As at 30 June 2005, none of the members of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors or the Company to be pending or threatened by or against any member of the Group.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Mr. Pong Po Lam holds directorships in the following investment companies:

Pegasus Midas Managed Fund Limited
Kallista HY Arbitrage Fund Limited
Kallista CB Arbitrage Fund Limited
Kallista US Equity Fund Limited
Kallista Arbitrage Strategies Fund Limited
Prime Investments (Holdings) Limited

The businesses of the above companies constitute competing businesses to the Group as they are investment companies operating in a similar line of businesses as that of the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice contained in the former Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") for the year ended 30 June 2005.

RELATED PARTY AND CONNECTED TRANSACTIONS

Details of the related party and connected transactions of the Group during the year are set out in note 29 to the financial statements.

AUDIT COMMITTEE

The Company established an audit committee on 27 October 2003 in compliance with the Code of Best Practice contained in the former Appendix 14 to the Listing Rules.

The audit committee consists of three independent non-executive directors, namely, Mr. Chan Ming Sun, Jonathan, Mr. Lam Kwan and Mr. Shiu Siu Tao. The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the audited annual results for the year ended 30 June 2005.

AUDITORS

The financial statements have been audited by BDO McCabe Lo Limited.

A resolution will be submitted at the forthcoming annual general meeting to re-appoint BDO McCabe Lo Limited as auditors of the Company.

On behalf of the Board

Yau Chung Hong

Executive Director

Hong Kong, 28 October 2005