

The Board of Directors of the Company is pleased to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 July 2005.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the special general meeting of the Company held on 1 December 2004 and approved by the Registrar of Companies in Bermuda and Companies Registry in Hong Kong, the Company has changed its name to “Nippon Asia Investments Holdings Limited” in English and, for identification purpose to “日本亞太事業投資有限公司” in Chinese with effect from 2 December 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in investments in internet, information technology and natural gas business.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 July 2005 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 24 to 87.

The Directors do not recommend the payment of a final dividend for the year ended 31 July 2005 (2004: Nil).

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company (“AGM”) will be held on 22 September 2006.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 20 September 2006 to Friday, 22 September 2006, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 19 September 2006.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 88. This summary does not form part of the audited financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical area of operations for the year ended 31 July 2005 is set out in note 4 to the financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

CONVERTIBLE NOTES

Details of the convertible notes of the Company are set out in note 27 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movement in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 29 and 30 to the financial statements.

SHARE OPTION SCHEME

Share options have been granted to eligible participants under the share option scheme of the Company adopted on 31 January 2002, details of which are set out in note 30 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, 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 ended 31 July 2005.

RESERVES

As at 31 July 2005, no reserve of the Company was available for the distribution to shareholders of the Company. In addition, the Company's share premium account of HK\$918,361,000 as at 31 July 2005, may be distributed in the form of fully paid bonus shares.

DISTRIBUTABLE RESERVES

As at 31 July 2005, no reserve of the Company was available for distribution to shareholders of the Company. In addition, the Company's share premium account 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.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales attributable to the Group's major suppliers and customers are as follows:

	2005 %	2004 %
Purchases		
– the largest supplier	56.4	34.6
– five largest suppliers combined	77.3	56.1
Turnover		
– the largest customer	3.6	2.3
– five largest customers combined	12	6.2

None of the Directors or any of their associates (as defined in the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange")) or any shareholders (who, to the knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interests in the Group's five largest customers or five largest suppliers.

DIRECTORS

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

Executive Directors

ZENG Xiao (<i>Chairman</i>)	(appointed as Director and Chairman on 13 January 2006 and 11 February 2006 respectively)
Masanori SUZUKI (<i>Deputy Chairman</i>)	(re-designated as executive director on 17 September 2004)
Eiji SATO	(appointed on 23 September 2004)
WONG King Shiu, Daniel	
CHEUNG Shing	(appointed on 13 January 2006)
WONG Kui Shing, Danny	(appointed on 17 September 2004 and resigned as Chairman on 11 February 2006)
KAN Kwok Shu	(resigned on 15 July 2005)
LIN Che Chu, George	(resigned on 16 September 2005)
ZHOU Weirong	(resigned on 16 September 2004)

Independent Non-Executive Directors

CHEUNG Man Yau, Timothy

KIM Kwi Nam, Takao

(appointed on 23 September 2004)

PENG Long

(appointed on 13 January 2006)

CHUK Che Shing

(resigned on 15 July 2005)

In accordance with the Company's Bye-law 86(2), Mr Zeng Xiao, Mr Cheung Shing and Mr Peng Long, being Directors appointed by the Board after the 2004 annual general meeting, will retire and being eligible, offer themselves for re-election at the AGM.

In accordance with the Company's Bye-laws 87 and 169(2), Mr Cheung Man Yau, Timothy shall retire from office as Director by rotation at the AGM and being eligible, offers himself for re-election.

INDEPENDENCE CONFIRMATION

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' SERVICE CONTRACTS

The Company and its subsidiary entered into service contract with Mr Wong King Shiu, Daniel where the contract will continue in force until terminated by either party giving not less than three months' prior written notice to the other.

There is also a service contract between the Company and each of Mr Eiji Sato and Mr Kim Kwi Nam, Takao where these contracts will continue in force until terminated by either party giving at least one month's prior written notice to the other.

Save as disclosed above, 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

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 subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 July 2005, the interest or short positions of the Directors and chief executive of the Company 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 Companies ("Model Code"), are set out below:

- Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporation

Name of Director	Capacity	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Wong Kui Shing, Danny (<i>Note</i>)	Interest in a controlled corporation	Corporation	327,018,300	18.85
	Beneficial owner	Personal	2,310,000	0.13
Total:			329,328,300	18.98

Note: 327,018,300 shares were held by Noble Islands Int'l Limited ("Noble Islands"). Out of which, 206,772,200 shares were registered in the name of Kingston Finance Limited ("Kingston") and were charged. The entire issued share capital of Noble Islands is held by Power Honest Holdings Limited which is in turn held by Mr Wong Kui Shing, Danny. In accordance with the SFO, Mr Wong was deemed to be interested in 327,018,300 shares owned by Noble Islands.

Subsequent to the balance sheet date,

- on 10 February 2006, a further of 114,246,000 shares were charged by Noble Islands to and registered in the name of Kingston, which totaled in 321,018,300 shares were charged and registered in the name of Kingston; and
- on 14 February 2006, 321,018,300 shares charged to and registered in the name of Kingston were disposed by Kingston and acquired by Sino Advance Holdings Limited, a company incorporated in the British Virgin Islands and wholly and beneficially owned by Mr. Xu Tieliang.

Accordingly, as at the date of this report, Mr Wong Kui Shing, Danny is interested in 8,310,000 shares, out of which 6,000,000 shares were held through Noble Islands.

Save as disclosed above, none of the Directors or chief executive of the Company had any interests in shares, underlying shares or debentures of the Company which were recorded on the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

- Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

Saved as disclosed above, none of the Directors and chief executive of the Company, had any short position in the shares, underlying shares or debentures of the Company or its associated corporation which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

At 31 July 2005, 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:

- Aggregate long position in the shares and underlying shares of the Company

Name of shareholder	Notes	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital
Noble Islands Int'l Limited ("Noble Islands")	1	Beneficial owner	327,018,300	18.85
Power Honest Holdings Limited ("Power Honest")	1	Interest in a controlled corporation	327,018,300	18.85
Kingston Finance Limited	1, 2	Having a security interest	206,772,200	11.92
Kingston Securities Limited	3	Being a placing agent	444,444,444	24.63
Chu Yuet Wah	1, 2, 3, 4	Interest in a controlled corporation	651,216,644	36.08
Ma Siu Fong	1, 2, 3, 4	Interest in a controlled corporation	651,216,244	36.08

Name of shareholder	Notes	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital
Global Capital Management Inc	5	Beneficial owner	241,666,666	13.39
Hikari Power Limited	5	Interest in a controlled corporation	241,666,666	13.39
Shigeta Yasumitsu	5	Interest in a controlled corporation	241,666,666	13.39

Notes:

1. Out of the 327,018,300 shares held by Noble Islands, 206,772,200 shares are charged to Kingston Finance Limited. The entire issued share capital of Noble Islands is held by Power Honest which is in turn held by Mr Wong Kui Shing, Danny, a Director. Hence, each of Mr Wong Kui Shing, Danny and Power Honest is deemed to be interested in 327,018,300 shares owned by Noble Islands.
2. Kingston Finance Limited has a security interest in 206,772,200 shares owned by Noble Islands, which relate to the same block of shares held by Noble Islands as mentioned in Note 1 above.
3. As at 31 July 2005, Kingston Securities Limited, as the placing agent, was interested in the derivative of 444,444,444 shares pursuant to the placing agreement dated 28 January 2005 as supplemented by a supplemental agreement dated 4 February 2005 and the revised placing agreement dated 9 May 2005 made with the Company in respect of the placing of Underwritten Convertible Notes in the principal amount of HK\$40,000,000.

Subsequent to the balance sheet date, at the special general meeting of the Company held on 2 August 2005, the resolution for approving the placing of the Underwritten Convertible Notes was not passed by the shareholders, and hence the placing agreement was lapsed and Kingston Securities Limited ceased to be interested in the said 444,444,444 shares.

4. Ms Chu Yuet Wah and Ms Ma Siu Fong are controlling shareholders of Kingston Finance Limited and Kingston Securities Limited. Each of Ms Chu and Ms Ma is deemed to be interested in the 1,067,722,000 shares interested by Kingston Finance Limited and the derivative of 444,444,444 shares interested by Kingston Securities Limited as mentioned in Notes 2 and 3 above.

As stated in Note 3 above, subsequent to the balance sheet date, each of Ms Chu and Ms Ma ceased to be interested in the derivative of 444,444,444 shares held by Kingston Finance Limited.

5. As at 31 July 2005, Global Capital Management Inc was interested in the derivative of 241,666,666 shares pursuant to the subscription agreement dated 26 January 2005 as supplemented by a supplemental agreement dated 4 February 2005 and a second supplemental agreement dated 9 May 2005 made with the Company in respect of GC Convertible Note in the principal amount to JPY290,000,000 (equivalent to HK\$21,750,000). The entire issued share capital of Global Capital Management Inc is held by Hikari Power Limited which is in turn held by Mr Shigeta Yasumitsu. Hence, each of Global Capital Management Inc, Hikari Power Limited and Mr Shigeta Yasumitsu is deemed to be interested in the said derivative.

Subsequent to the balance sheet date, at the special general meeting of the Company held on 2 August 2005, the resolution for approving the GC Convertible Note was not passed by the shareholders, and hence the subscription agreement was lapsed and Global Capital Management Inc ceased to be interested in the said 241,666,666 shares.

2. Aggregate short position in the shares and underlying shares of the Company

As at 31 July 2005, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code.

CONNECTED TRANSACTION

During the year under review, the Group had no connected transaction.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year and up to the date of this report.

CODE OF BEST PRACTICE

The Directors are not aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice ("Code") as set out in the Appendix 14 of the Listing Rules in force prior to 1 January 2005. The Code was replaced by the Code on Corporate Governance ("CG Code") which has become effective for accounting periods commencing on or after 1 January 2005. Appropriate actions are being taken by the Company for complying with the CG Code.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") in 1998. The Audit Committee comprises three independent non-executive Directors, namely Mr Cheung Man Yau, Timothy, Mr Kim Kwi Nam, Takao and Mr Peng Long.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the interim and annual reports and accounts of the Group; and overseeing the Group's financial reporting and internal control procedures.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 July 2005.

AUDITORS

Ernst & Young resigned as auditors of the Company with effect from 22 March 2005 and KLL Associates CPA Ltd. was appointed as auditors of the Company to fill the vacancy with effect from 6 May 2005. Following the merger of practices by KLL Associates CPA Ltd. with BDO McCabe Lo Limited, KLL Associates CPA Ltd. resigned with effect from 20 September 2005 and BDO McCabe Lo Limited was appointed as auditors of the Company to fill the vacancy with effect from 14 November 2005 and subsequently resigned on 26 April 2006. At the special general meeting of the Company held on 30 May 2006, Ting Ho Kwan & Chan was appointed as auditors of the Company to fill the vacancy arising from the resignation of BDO McCabe Lo Limited. Save as disclosed above, there were no changes in auditors during the past three years.

Ting Ho Kwan & Chan shall retire at the AGM and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Nippon Asia Investments Holdings Limited
Zeng Xiao
Chairman

Hong Kong, 25 August 2006