

The board of directors (the "Directors") submit herewith their annual report together with the audited financial statements for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company and is also engaged in acting as an agent in the coal business, sales and marketing of coal products and sales of jewellery products. The Group is principally engaged in production and sales of coking coal products and side products, acting as an agent in the coal business and sales of jewellery products. Particulars of the subsidiaries are set out in note 12 to the financial statements.

An analysis of the Group's turnover and loss attributable to shareholders for the year by principal activities and markets 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 as at that date are set out in the financial statements on pages 15 to 41.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2004.

SHARE CAPITAL

Details of share capital of the Company as at 31 December 2004 are set out in note 22 to the financial statements.

RESERVES

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

The Company did not have any reserves available for distribution at 31 December 2004, calculated under Section 79B of the Hong Kong Companies Ordinance.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 10 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2004 are set in notes 20 and 21 to the financial statements.

CONNECTED TRANSACTION

On 24 June 2004, Jinshan Energy Group Limited ("Jinshan Energy"), a non-wholly owned subsidiary of the Company, entered into the disposal agreement (the "Disposal Agreement") with Shanxi Luensheng Energy Company Limited ("Luensheng") in relation to the disposal of 25% equity interest in Liulin Luenshan Coking Company Limited ("Luenshan"), a non-wholly owned subsidiary of the Company, to Luensheng for a cash consideration of approximately HK\$7,054,000. The transaction was completed on 29 June 2004.

CONNECTED TRANSACTION *(continued)*

Luensheng is a company wholly owned by Mr. Xing Li Bin ("Mr. Xing") and his family. Mr. Xing has extensive experience in the coal industry in the PRC. He has been managing the business operation of production of coal products in the PRC and has sound knowledge and technical know-how in the coal industry. With a view to secure a dedicated commitment of Mr. Xing towards the future development of Luenshan, Jinshan Energy entered into the Disposal Agreement. Upon completion, Jinshan Energy, Luensheng and Mr. Xing are interested in 65%, 25% and 10% of Luenshan respectively.

Mr. Xing holds 10% equity interest in Luenshan and thus is a substantial shareholder of Luenshan. Luensheng is regarded as a connected person (as defined in the Rules Governing the Listing of the Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange")) of the Company. The transaction constituted a connected transaction of the Company as defined by the Listing Rules and was announced by way of a press announcement on 24 June 2004.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years is set out on page 42.

RETIREMENT SCHEME

The Group operates the Mandatory Provident Fund Scheme for Hong Kong employees and the state-sponsored retirement plan for PRC employees. Particulars of these retirement schemes are set out in note 19 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DIRECTORS

The directors during the year were:

Mr. WONG Lik Ping

Mr. SO Kwok Hoo

Mr. LI King Luk

Mr. KEE Wah Sze

Mr. CHOI Wai Yin

(appointed on 1 July 2004)

Mr. CHAN Pat Lam

(appointed on 31 December 2004)

Mr. NG Ching Wo

(resigned on 31 December 2004)

In accordance with article 98 of the Company's Articles of Association, Mr. Wong Lik Ping shall hold office until the forthcoming annual general meeting and, being eligible, offer himself for re-election.

Mr. Kee Wah Sze, Mr. Choi Wai Yin and Chan Pat Lam are independent non-executive directors and were appointed for a one-year term expiring on 31 December 2005, 30 June 2005 and 31 December 2005 respectively.

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 or any of its subsidiaries, which is not determinable within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its holding 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, subsisted at the end of the year or at any time during the year.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 20 June 2003, the shareholders of the Company approved the adoption of a new option scheme ("the Scheme") and to give the Directors the power to implement and administer the Scheme with effect from the date of passing of the resolution. During the year ended 31 December 2004, no share option was granted under the Scheme and as at 31 December 2004, no share option was outstanding. Other particulars of the Scheme are set out in note 23 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

At no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangements, which enable a director or chief executive of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or 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 rights.

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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

At 31 December 2004, the interests and short positions of the directors and chief executives of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Long positions in ordinary shares (HK\$0.10 each) of the Company:

	Number of ordinary shares held			% of issued share capital
	Personal interests	Corporate interests	Total	Total
Mr. Wong Lik Ping	90,750,000	1,149,200,000 (Note)	1,239,950,000	59.59%

Note: Mr. Wong Lik Ping is the beneficial owner of the entire issued share capital of China Merit Limited, which owned 1,149,200,000 ordinary shares in the Company at 31 December 2004.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS *(continued)*

Save as disclosed above, none of the directors and chief executives had any interest or short position in the shares, debentures or underlying shares of the Company or its associated corporations which were recorded in the registered required to be kept under section 352 of the SFO or notified to the Company pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 31 December 2004, no other person, not being a director or chief executive of the Company, other than the directors or chief executives of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions" above, had an interest or short position in 5% or more of the issued share capital of the Company as recorded in the registered required to be kept under section 336 of the SFO.

BIOGRAPHICAL DETAILS OF DIRECTORS**Executive directors**

Mr. Wong Lik Ping (age 44), Chairman, was appointed as a director of the Company on 14 September 2001. Mr. Wong has over 17 years' experience in trading business and financial industry and has held directorship with various private companies. He has extensive experience and investments in a wide range of businesses in the PRC.

Mr. So Kwok Hoo (age 51) was appointed as a director of the Company on 20 March 1998. Mr. So holds Bachelor degrees in both Applied Science with major in Chemical Engineering and Business Administration obtained in Canada. He has over 20 years of experience in marketing of electrochemical and industrial products sales in Asia Pacific Region together with property investment experience in Hong Kong as well.

Mr. Li King Luk (age 49) was appointed as a director of the Company on 14 September 2001. Mr. Li has over 19 years' experience in corporate management. He worked for a ceramics factory in Shanxi Province, the PRC as factory manager for 6 years. He also has over 13 years of experience in trading. Mr. Lee holds a Bachelor Degree in North Western University of Light Industry of the PRC (中國西北輕工業學院).

Independent non-executive directors

Mr. Kee Wah Sze (age 57) was appointed as an independent non-executive director of the Company on 11 April 1997. Mr. Kee is a partner of Messrs. Michael Cheuk, Wong & Kee and is a practicing solicitor in Hong Kong for over 20 years specialised in both the commercial and conveyancing fields. He is a Notary Public of Hong Kong, a China Appointed Attesting Offices and holder of Master Degree in Chinese and Comparative Law of City University of Hong Kong and Master Degree in Law of the People's University of the PRC.

Mr. Choi Wai Yin (age 46) was appointed as a director of the Company on 1 July 2004. Mr. Choi has over 20 years' experience in the fields of finance and fund management. He currently serves as an executive director of Incutech Investments Limited which is a Hong Kong listed company and an executive director of a company which is the investment manager of a Hong Kong listed company. He is an investment adviser registered under the Securities and Future Ordinance. He holds a master degree of Science in Finance from the City University of Hong Kong and a Bachelor Degree in Business Administration from the University of Hong Kong.

Mr. Chan Pat Lam (aged 56) was appointed as a director of the Company on 31 December 2004. Mr. Chan has over 35 years' experience in the field of international banking industry in Hong Kong, Macau and California. Currently, he is the assistant to the Managing Director of a private company, which is engaged in acting as an international container shipping agency in the Western region of Pearl River Delta. He is also the business advisor of a commercial bank in Macau and a partner of another private company, which is engaged in trading and wholesaling of grocery items.

MAJOR CUSTOMERS AND SUPPLIERS

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

2004

Purchases

- | | |
|---------------------------------------|------|
| – the largest supplier | 53% |
| – five largest suppliers in aggregate | 100% |

Sales

- | | |
|---------------------------------------|-----|
| – the largest customer | 81% |
| – five largest customers in aggregate | 99% |

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these suppliers or customers.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code of Best Practice ("the Code of Best Practice") as set out in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with the requirements of the Code of the Best Practice for the purposes of reviewing and supervision over the Groups' financial reporting process and internal controls. 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 comprises three independent non-executive directors, namely Mr. Kee Wah Sze, Mr. Choi Wai Yin and Mr. Chan Pat Lam. Two meetings were held during the current financial year.

AUDITORS

Grant Thornton retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Grant Thornton as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

So Kwok Hoo

Executive Director

Hong Kong, 21 April 2005