

The Company is committed to maintaining high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The good corporate governance principles of the Company emphasise a quality Board for leadership and control of the Company, effective internal controls, transparency and accountability to all shareholders.

Code on Corporate Governance Practices

At the annual general meeting (the "AGM") of the Company held on 25 April 2005, the Company's bye-laws were amended, inter alia, to add the requirement for retirement of all the directors of the Company by rotation at least once every three years at the Company's AGM. Instead of having all directors retire by rotation at the 2005 AGM, about one-third of the directors retired at the 2005 AGM held on 25 April 2005. Another one-third of the directors will retire at the AGM in 2006 and the remaining directors will retire at the AGM in 2007. Save for this practical adoption of an amended policy, the Company has, for the year ended 31 December 2005, applied the principles and complied with the applicable provisions, and also complied with certain recommended best practices of the Code on Corporate Governance Practices ("CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

In response to the discovery of certain misstatements of the Group's unaudited net profit from ordinary activities attributable to shareholders in the results announced by the Group for the quarter ended 31 March 2005, the six months ended 30 June 2005, the quarter ended 30 September 2005 and the nine months ended 30 September 2005 as announced by the Company on 24 January 2006, the Board engaged the services of PricewaterhouseCoopers ("PwC"), an international accounting firm, to conduct an independent review of the Group's internal control procedures. The objective of this independent review was to assist the Board in identifying the causes of the misstatements and identifying areas for improvement in respect of the control environment and internal controls.

PwC completed its review on internal controls over investment accounting and quarterly reporting and presented a report to the Board on 23 February 2006. The Board considered and resolved to adopt the findings and recommendations made by PwC.

Board of Directors

The board of directors (the "Board") consists of a Chairman, Managing Director, one executive director, five non-executive directors and four independent non-executive directors. Each director has a duty to act in good faith in the best interests of the Company. The directors, collectively and individually, are aware of their responsibilities and accountability to shareholders, for the manner in which the affairs of the Company are managed and operated.

The Board is comprised of the following directors:

Chairman:

- Yuen Tin Fan, Francis

Managing Director:

- Chan Ping Kan, Raymond

Executive Director:

- So Wing Hung, Peter (*Deputy Managing Director and acting Chief Financial Officer*)¹

Non-Executive Directors:

- Peter Anthony Allen⁴
- Alexander Anthony Arena²
- Chung Cho Yee, Mico²
- Feng Xiaozeng^{2&3}
- Zheng Changyong²

Independent Non-Executive Directors:

- Professor Chang Hsin Kang
- Timothy George Freshwater
- Wang Xianzhang⁵
- Professor Wong Yue Chim, Richard

- Notes:
- 1 Appointed as Deputy Managing Director and acting Chief Financial Officer with effect from 23 February 2006.
 - 2 Re-designated as non-executive director of the Company with effect from 17 March 2006.
 - 3 Appointed as executive director of the Company with effect from 8 August 2005.
 - 4 Re-designated as non-executive director of the Company with effect from 1 March 2006.
 - 5 Re-designated as independent non-executive director of the Company with effect from 17 March 2006.

Board of Directors *(continued)*

The role of the Chairman is separate from that of the Managing Director so as to delineate their respective areas of responsibility. The Board, led by the Chairman, sets the overall direction, strategy and policies of the Company. It is also responsible for evaluating and overseeing the performance of the management. Under the leadership of the Managing Director, management is responsible for executing the Board's strategy and implementing its policies through the day-to-day management and operations of the Company.

The Board delegates appropriate aspects of its management and administration functions to management, it also gives clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board determines those functions reserved to the Board and those delegated to the management and these arrangements are reviewed on a periodic basis to ensure they remain appropriate to the needs of the Company.

One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board acts in the best interests of the Company. The Chairman is responsible for approving the agenda for each board meeting taking into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The Chairman is responsible for overseeing effective functioning of the Board, with good corporate governance practices and procedures. The Chairman seeks to ensure that all directors are properly briefed on issues arising at board meetings and that all directors receive adequate information, which is complete and reliable, in a timely manner. The Chairman also encourages the directors to make full and active contributions to the Board's affairs.

The Managing Director, together with an executive director and the head of each work area division, is responsible for managing the business and day-to-day operations of the Company and implementing the strategies and policies approved by the Board.

The non-executive directors, including the independent non-executive directors, are all seasoned individuals from diversified backgrounds and industries and at least one member has an appropriate accounting qualification and related financial management expertise as required by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). With their expertise, they offer independent judgement and advice on the overall management of the Company. They take the lead where potential conflicts of interests arise. The independent non-executive directors' responsibilities include maintaining a balance between the interests of the minority shareholders and the Company as a whole. The independent non-executive directors are also key members of the Audit Committee, Remuneration Committee and Nomination Committee.

Board of Directors *(continued)*

The Company has received an annual confirmation of independence from each of the independent non-executive directors. The Company is of the view that all the independent non-executive directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and still considers them to be independent.

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among the members of the Board or between the Chairman and the Managing Director.

The non-executive directors are appointed for a specific term. Details of the term of appointment of the non-executive directors are disclosed in the section "Directors' service contracts" of the Report of the Directors on page 29.

The newly appointed director, Mr Feng Xiaozeng is subject to election by the shareholders at the first AGM after his appointment, i.e. 2006 AGM. The directors are subject to retirement by rotation at least once every three years pursuant to the Company's Bye-Laws and the Listing Rules. The biographical details and experience of the directors are set out on pages 10 to 13.

Every newly appointed director is provided with a package of orientation materials detailing the duties and responsibilities of directors under the Listing Rules, the Company's Bye-Laws, related ordinances and relevant regulatory requirements of Hong Kong. Presentations are, as necessary, given by senior executives on the Company's businesses. Training and updates are offered to directors as necessary to ensure that directors are aware of the latest changes in the commercial and regulatory environment in which the Company conducts its business.

Every director is aware that, before accepting appointment as a director, he must be able to give sufficient time and attention to the affairs of the Company.

The Company also provides directors with directors' and officers' liability insurance coverage to protect them from loss as a result of legal proceeding against the Company.

Board Meetings

A total of six board meetings were held in 2005 with individual attendance of each director as follows:

Directors	Attendance
Executive Directors	
Yuen Tin Fan, Francis (<i>Chairman</i>)	6/6
Chan Ping Kan, Raymond (<i>Managing Director</i>)	6/6
So Wing Hung, Peter (<i>Deputy Managing Director and acting Chief Financial Officer</i>) ¹	6/6
Cheung Sum, Sam ²	6/6
Yang Chao ⁵	0/5
Non-Executive Directors	
Peter Anthony Allen ⁶	5/6
Alexander Anthony Arena ⁴	6/6
Chung Cho Yee, Mico ⁴	3/6
Feng Xiaozeng ^{3&4}	0/1
Zheng Changyong ⁴	6/6
Independent Non-Executive Directors	
Professor Chang Hsin Kang	2/6
Timothy George Freshwater	5/6
Wang Xianzhang ⁷	2/6
Professor Wong Yue Chim, Richard	3/6

Notes: 1 Appointed as Deputy Managing Director and acting Chief Financial Officer with effect from 23 February 2006.

2 Resigned as executive director of the Company with effect from 23 February 2006.

3 Appointed as executive director of the Company with effect from 8 August 2005.

4 Re-designated as non-executive director of the Company with effect from 17 March 2006.

5 Resigned as executive director of the Company with effect from 8 August 2005.

6 Re-designated as non-executive director of the Company with effect from 1 March 2006.

7 Re-designated as independent non-executive director of the Company with effect from 17 March 2006.

Meetings of the Board are held regularly and at least four times a year at approximately quarterly intervals to approve, inter alia, the financial results of the Company. Regular board meetings are scheduled in advance in the preceding year to give the directors an opportunity to attend. Directors can attend board meetings either in person or by other electronic means of communication.

Board Meetings *(continued)*

Directors have timely access to relevant information prior to each board meeting. Directors are given the opportunity to include matters in the agenda for regular board meetings. Notices of regular board meetings are dispatched to directors at least 14 days before each meeting. An agenda and accompanying board papers for regular board meetings are circulated to directors not less than three business days before each meeting. Directors are entitled to have access to board papers and related materials to allow them to make informed decisions on matters arising from board meetings.

Directors have access to the advice and services of the Company Secretary with a view to ensuring that board procedures and all applicable rules and regulations are followed.

Minutes of board meetings and meetings of other committees are kept by the Company Secretary and are open for inspection by directors.

Minutes of board meetings and meetings of board committees record in sufficient detail the matters considered by the Board and board committees and decisions reached, including any concerns raised by directors or dissenting views expressed.

There is a procedure in place agreed by the Board to enable directors to seek independent professional advice in appropriate circumstances at the Company's expense. The Board provides separate independent professional advice to assist a director or directors to discharge his/their duties to the Company as and when necessary.

If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would not be dealt with by way of circulation or by a committee but a board meeting would be held. In such circumstance, independent non-executive directors who, and whose associates, have no material interest in the transaction would be present at such board meeting.

The management supplies the Board and its committees with adequate information which is complete and reliable, in a timely manner to enable them to make informed decisions.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") on 9 August 2004 on terms no less exacting than the required standard as set out in Appendix 10 to the Listing Rules.

The Company has made specific enquiry of the directors regarding any non-compliance with the Model Code during the year ended 31 December 2005 and all of them confirmed that they have fully complied with the required standard set out in the Model Code.

Directors' and Auditors' Responsibilities for the Financial Statements

The directors acknowledge their responsibilities for preparing the financial statements of the Company and its subsidiaries (the "Group"). The Board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as the information required to be disclosed pursuant to statutory requirements.

The statement of the external auditors of the Company regarding their responsibilities for the financial statements of the Group is set out in the Report of the Auditors on page 50.

Board Committees

The Board has appointed a number of committees consisting of certain executive and non-executive directors and the Board prescribes sufficiently clear terms of reference to enable committees to discharge their functions properly. The terms of reference of the committees require them to report back to the Board on their decisions or recommendations. The following are the principal committees:

Executive Committee

The Executive Committee of the Board meets regularly and operates as a general management committee under the direct authority of the Board. It is responsible for the implementation of the strategy and policies set by the Board under the leadership of the Chairman.

Members of the Executive Committee comprise:

- Yuen Tin Fan, Francis (*Chairman*)
- Chan Ping Kan, Raymond (*Managing Director*)
- So Wing Hung, Peter (*Deputy Managing Director and acting Chief Financial Officer*)^{Note}

Note: Appointed as Deputy Managing Director and acting Chief Financial Officer with effect from 23 February 2006.

Board Committees *(continued)*

Investment Committee

The Investment Committee meets on a regular basis to review the current investment climate and make investment decisions in accordance with the policies and directions of the Board. The Investment Committee comprises all the members of the Executive Committee, the Managing Director and an Executive Director of PCI Investment Management Limited ("PCIIM"), a wholly owned subsidiary of the Company, who have extensive experience in the investment industry:

- Yuen Tin Fan, Francis (*Chairman*)
- Chan Ping Kan, Raymond (*Managing Director*)
- So Wing Hung, Peter (*Deputy Managing Director and acting Chief Financial Officer*)^{Note}
- Fung Yiu Fai, Herman (*Managing Director of PCIIM*)
- Wu Chi Keung, Walter (*Executive Director of PCIIM*)

Note: Appointed as Deputy Managing Director and acting Chief Financial Officer with effect from 23 February 2006.

Audit Committee

The Listing Rules require every listed issuer establishes an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise.

All members of the Audit Committee are non-executive directors, the majority are independent non-executive directors and they possess appropriate professional qualifications and/or experience in financial matters.

Members of the Audit Committee include:

- Professor Wong Yue Chim, Richard (*Chairman*)
- Professor Chang Hsin Kang
- Timothy George Freshwater
- Peter Anthony Allen^{Note}

Note: Appointed as member of the Audit Committee with effect from 2 March 2006.

Board Committees *(continued)*

Audit Committee *(continued)*

The primary responsibility of the Audit Committee is to review the financial reporting and internal controls of the Company. The Company's annual report for the year ended 31 December 2005 has been reviewed by the Audit Committee.

During the year, the Audit Committee held four meetings to review, together with the senior management and the internal auditors, the financial statements and the internal audit reports, the accounting principles and practices adopted by the Company, statutory compliance and other financial reporting matters. Minutes of Audit Committee meetings are kept by the Company Secretary of the Company.

The Audit Committee is also responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of the auditor. The Audit Committee is provided with sufficient resources to discharge its duties.

In 2005, the Audit Committee held four meetings. The attendance record of each Audit Committee member is set out below.

Members	Attendance
Professor Wong Yue Chim, Richard <i>(Chairman)</i>	3/4
Professor Chang Hsin Kang	3/4
Timothy George Freshwater	4/4
Peter Anthony Allen ^{Note}	N/A

Note: Appointed as member of the Audit Committee with effect from 2 March 2006.

Board Committees *(continued)*

Nomination Committee

The Nomination Committee was established in November 2004 with specific written terms of reference which deal clearly with its authority and duties. The majority of the members are independent non-executive directors:

- Professor Chang Hsin Kang (*Chairman*)
- Timothy George Freshwater
- Professor Wong Yue Chim, Richard
- Yuen Tin Fan, Francis ¹
- Wang Xianzhang ²

Notes: 1 Appointed as member of the Nomination Committee with effect from 10 May 2005.

2 Appointed as member of the Nomination Committee with effect from 17 March 2006.

The Nomination Committee reviews the structure, size and composition of the Board on a regular basis and makes recommendations to the Board regarding any proposed changes, identifies individuals suitably qualified to become Board members and selects or makes recommendations to the Board on the selection of, individuals nominated for directorships. It is also responsible for assessing the independence of independent non-executive directors and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors. The Nomination Committee is provided with sufficient resources to discharge its duties.

The criteria for the Nomination Committee to select and recommend candidates for directorship include the candidates' skill, character, experience and integrity and whether he/she can demonstrate a standard of competence commensurate with his/her position as a director of the Company.

The Nomination Committee held two meetings in year 2005 to discuss, inter alia, the terms of reference of the Nomination Committee, the frequency and procedures of meeting and the proposed appointment of directors. For the year ended 31 December 2005, the Nomination Committee resolved to nominate Mr Feng Xiaozeng to replace Mr Yang Chao as an executive director of the Company and recommended such nomination to the Board for its approval. The appointment of Mr Feng Xiaozeng as an executive director of the Company was approved by the Board on 8 August 2005.

In 2005, the attendance record of each Nomination Committee member is set out below.

Members	Attendance
Professor Chang Hsin Kang (<i>Chairman</i>)	2/2
Timothy George Freshwater	2/2
Professor Wong Yue Chim, Richard	1/2
Yuen Tin Fan, Francis ¹	1/1
Wang Xianzhang ²	N/A

Notes: 1 Appointed as member of the Nomination Committee with effect from 10 May 2005.

2 Appointed as member of the Nomination Committee with effect from 17 March 2006.

Board Committees *(continued)*

Remuneration Committee

The Remuneration Committee was established in November 2004 with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the Remuneration Committee are independent non-executive directors:

- Timothy George Freshwater (*Chairman*)
- Professor Chang Hsin Kang
- Professor Wong Yue Chim, Richard
- Yuen Tin Fan, Francis ¹
- Wang Xianzhang ²

Notes: 1 Appointed as member of the Remuneration Committee with effect from 10 May 2005.

2 Appointed as member of the Remuneration Committee with effect from 17 March 2006.

The Remuneration Committee is responsible for ensuring that formal and transparent procedures for developing remuneration policies, and for overseeing the remuneration packages of directors and senior management. It also provides oversight and administration of the Company's share option scheme and any other share incentive schemes or other equity based schemes.

The Remuneration Committee consults the Chairman and/or Managing Director regarding their proposals relating to the remuneration packages of directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office of appointment, and makes recommendations to the Board regarding the remuneration of non-executive directors. The Remuneration Committee is provided with sufficient resources to discharge its duties.

The emoluments of directors are based on each director's knowledge, skill and involvement in the Company's affairs and are determined by reference to the Company's profits and performance, as well as the remuneration standards offered by comparable companies in the industry and market. Details of the emoluments of each director, on a named basis, are disclosed in Note 10 to the financial statements with the heading "Directors' Remuneration" on pages 92 to 94.

The Remuneration Committee held two meetings in year 2005 to discuss, inter alia, the terms of reference of the Remuneration Committee, the frequency and procedures of meeting and the terms of employment of a senior executive. The attendance record of each Remuneration Committee member in 2005 is set out below.

Members	Attendance
Timothy George Freshwater (<i>Chairman</i>)	2/2
Professor Chang Hsin Kang	2/2
Professor Wong Yue Chim, Richard	1/2
Yuen Tin Fan, Francis ¹	1/1
Wang Xianzhang ²	N/A

Notes: 1 Appointed as member of the Remuneration Committee with effect from 10 May 2005.

2 Appointed as member of the Remuneration Committee with effect from 17 March 2006.

Financial Reporting

The Company aims to present a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. Management provides such explanations and information to the Board to enable the Board to make informed assessments of the financial and other information put before the Board for approval.

The Company has voluntarily published financial results on a quarterly basis.

Internal Controls

The Board is responsible for ensuring that a system of effective internal controls is maintained and for reviewing its effectiveness. Measures have been put in place to safeguard shareholders' investments and the Company's assets, to ensure proper maintenance of accounting records and to ensure compliance with relevant legislation and regulations.

The internal control system is designed to provide reasonable, but not absolute, assurance. The system aims to manage, instead of eliminate, risks of failure in achieving the Company's objectives.

An organizational structure of the Group setting out operating policies and procedures, lines of responsibility and reporting and delegated authority has been established. There are well-defined specific limits of authority governing activities of executive directors and senior management.

Annual budgets of the Group are prepared and are subject to the approval of the Board before being adopted. Directors monitor the business activities closely and review regularly the financial results of operations against budgets.

The Company's internal audit function, under the supervision of the Chief Internal Auditor, reviews the internal control system and evaluates its adequacy, effectiveness and compliance. The Chief Internal Auditor reports directly to the Audit Committee and presents internal audit reports to the Audit Committee.

Auditors' Remuneration

Ernst & Young were re-appointed as the Company's external auditors by shareholders at the 2005 AGM on 25 April 2005 until the conclusion of the next AGM. They are primarily responsible for providing audit services in connection with annual financial statements of the Group for the year ended 31 December 2005.

For the year ended 31 December 2005, the total remuneration in respect of statutory audit services provided by Ernst & Young amounted to HK\$1,422,000. They also provided non-audit services to the Group, which were considered insignificant assignments, at a total fee of HK\$43,000.

Investor Relations and Shareholders' Rights

To enhance transparency, the Company endeavours to maintain an on-going dialogue with shareholders and investors through a variety of communication channels.

The Company is committed to providing clear and reliable information on the performance of the Group to shareholders through the publication and despatch of interim and annual reports.

Press conferences and briefing meetings with investment analysts are arranged from time to time and particularly when financial results are announced.

The Company's website offers an ongoing communication channel between the Company and shareholders. Key information on the Group is provided on the website and is updated from time to time.

The Company's AGM provides a platform for shareholders to have a direct dialogue with the Board. Shareholders are encouraged to attend the AGM for which notice and related papers are despatched at least 21 calendar days before the meeting. Such notice is also published in at least one English newspaper and one Chinese newspaper. The Chairman, the other members of the Executive Committee and the chairmen of Audit, Remuneration and Nomination Committees or their duly appointed delegates are available at the AGM to answer questions from shareholders. In respect of each substantially separate issue at a general meeting, a separate resolution is proposed by the Chairman.

The Company's circulars to shareholders disclose the procedures for and the rights of shareholders to demand a poll. All proxy votes are counted and, except where a poll is required, the Chairman indicates to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands. All votes cast are counted and recorded by the Company's Registrar. The Chairman, at the commencement of each meeting, explains the procedures for demanding a poll by shareholders before putting a resolution to the vote on a show of hands. Whenever voting by way of a poll is required, the Chairman explains the detailed procedures for conducting a poll and then answers any questions from shareholders in respect thereof.

The Company maintains effective two-way communications with shareholders and other investors whose feedback is valuable to the Company in developing and fostering relationships. Comments and suggestions are welcome and can be addressed to the Investor Relations Division at the principal place of business of the Company set out in the section "Corporate Information" on page 140.