

CORPORATE GOVERNANCE REPORT

The Board is committed to maintain sound corporate governance standard and procedures to ensure integrity, transparency and quality of disclosure in order to promote the ongoing development of the best long term interest of the Company and enhance value for all of its shareholders.

CORPORATE GOVERNANCE PRACTICES

As from January 1, 2005, the new Code on Corporate Governance Practices (the “CG Code”) issued by the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) became effective for accounting periods commencing on or after that date. The Board has reviewed the CG Code and has adopted the same as the Company’s own code of corporate governance practices. During the financial year ended December 31, 2005, the Company has complied with all of the provisions under the CG Code.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as its code of conduct regarding Directors’ securities transactions.

The Company has made specific enquiry of all Directors of any non-compliance with the Model Code during the financial year ended December 31, 2005, and they have all confirmed their full compliance with the required standard as set out in the Model Code.

BOARD OF DIRECTORS

The Board has overall responsibility for the stewardship of the Company, which includes the adoption of long term corporate strategies, assessment of investment projects, supervision of management to ensure that the Company’s operations are conducted in accordance with the objectives of the Company, and in reviewing financial performance. The Company’s investment portfolio and day-to-day operations are managed by Shanghai International Asset Management (Hong Kong) Company Limited, the Company’s investment manager (the “Investment Manager”), in accordance with the terms and conditions of an investment management and administration agreement (the “Investment Management Agreement”) entered into between the Company and the Investment Manager. Details of the Investment Management Agreement are set out on pages 31 to 33 under the heading “Investment Management and Administration Agreement and Continuing Connected Transactions”.

Composition

The Board has fourteen Directors of whom two are executive Directors, nine are non-executive Directors and three are independent non-executive Directors (“INEDs”). There is neither a designated Chairman nor a Chief Executive Officer of the Board. The Directors are, collectively and individually, aware of their responsibilities to the shareholders. The Directors’ respective biographical information is set out on pages 28 to 31 under the heading “Biographical Details of Directors”.

BOARD OF DIRECTORS *(Cont'd)*

The Board held four Board meetings during the 2005 financial year. Appropriate and sufficient information were provided to Board members in a timely manner to keep them abreast of the Company's latest developments in assisting them to discharge their duties. Attendance of individual Directors at Board meetings during the year ended December 31, 2005 was:

Number of meetings held		4	
Name of Director	Attendance	Name of Director	Attendance
Mr. Wu, Choi Sun William	4/4	Mr. Chiu, Tak-chiang	1/4
Dr. Xue, Wanxiang	4/4	Mr. Hu, Jinggang	4/4
Dr. Hua, Min	2/4	Dr. Wang, Changhong	1/4
Mr. Ong, Ka Thai	4/4	Mr. Zhou, Youdao	0/4
Mr. Yick, Wing Fat Simon	4/4	Mr. Tseng, Ta-mon	2/4
Mr. Cai, Nongrui	3/4	Mr. Lee, Tien-chieh	3/3
Mr. Chen, Chi-chuan	3/4	Mr. Chao, Hsi-hsiang	0/1
Mr. Chiang, Ching-yee	0/4	Mme. Yin, Wong Yee-fan	0/1

Certain Directors of the Company, namely Mr. Wu, Choi Sun William, Dr. Xue, Wanxiang, Mr. Cai, Nongrui, Mr. Chen, Chi-chuan, Mr. Chiu, Tak Chiang, Mr. Hu, Jinggang and Mr. Zhou, Youdao, are also directors of the Company's Investment Manager. Certain Directors of the Company, namely Mr. Chen, Chi-chuan, Mr. Lee, Tien-chieh and Mr. Tseng, Ta-mon, are also directors of the Ruentex Group of companies, a group of corporate entities based in Taiwan, certain of which are substantial shareholders of the Company as at December 31, 2005. Details of such relationships are set out on pages 35 to 36 under the heading "Substantial Shareholders".

Save as disclosed above, to the best knowledge of the Company, there is no financial, business or family relationship among members of the Board as at December 31, 2005. All of them are free to exercise their individual judgment.

Re-election and retirement of Directors

1. Any Director appointed by the Board, either to fill a casual vacancy or as an addition to the existing Board, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election by ordinary resolution.
2. At each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation.
3. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election of appointment.

BOARD OF DIRECTORS *(Cont'd)*

Independent Non-Executive Directors (“INEDs”)

Each of the INEDs has filed a written confirmation to the Company confirming their independence and has undertaken to inform the Stock Exchange and the Company as soon as practicable if there is any subsequent change in circumstances which may affect their independence. Each of the INEDs has entered into respective service contract with the Company for a term of two years with specific terms of reference and remunerated at HK\$100,000 per year. None of the other Directors has a service contract with the Company or is being remunerated by the Company.

NOMINATION PROCEDURES AND CRITERIA

The Company has yet to appoint a Nomination Committee, the establishment of which is a recommended best practice by the Stock Exchange.

Current Board practice of appointment of new directors is that all valid nomination of candidates, accompanied with related details of their biographies, for directorships in the Company would be brought before the Board for consideration as soon as practicable. Consideration would be given to factors such as the candidate’s experience and qualifications relevant to the Company’s business. It is believed that members of the Board would collectively have the required professional knowledge and skills in discharging the Board’s responsibility in identifying, recruiting and evaluating new nominees to the Board and the assessment of qualifications of nominated candidates for directorship.

BOARD COMMITTEES

The Board has delegated specific responsibilities and duties to the following committees to ensure the Company’s best corporate governance practices:

AUDIT COMMITTEE

Composition

The Company has established an Audit Committee since 1999 with its written terms of reference formulated in accordance with the requirements of the Listing Rules. The Audit Committee consists of all three INEDs and one non-executive Director. Two meetings were held during the 2005 financial year. Members of the Audit Committee for the year ended December 31, 2005 and their respective attendance at such meetings was:

Number of meetings held		2	
Name of Director	Attendance	Name of Director	Attendance
Mr. Yick, Wing Fat Simon (<i>Chairman</i>)	2/2	Dr. Hua, Min	1/2
Mr. Ong, Ka Thai	2/2	Mr. Chen, Chi-chuan	2/2

AUDIT COMMITTEE *(Cont'd)*

Role and Function

The primary duties of the Audit Committee are to ensure the objectivity and credibility of the Company's financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors.

The Audit Committee is responsible for reviewing the Company's interim and annual financial statements and making recommendations as to the approval of the Company's interim and annual financial statements by the Board. Both Audit Committee meetings were also attended by the external auditors with whom the adequacy and effectiveness of the Company's internal control and management information system were also discussed. Members of the Audit Committee have complete and unrestricted access to the external auditors and senior staff of the Company.

The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management the internal controls and financial reporting matters during the year 2005. It has also reviewed both the half year results for the period ended June 30, 2005 and the annual results for the year ended December 31, 2005 of the Company before announcement of both results.

REMUNERATION COMMITTEE

Composition

The Company formulated written terms of reference for its Remuneration Committee in accordance with the requirements of the Listing Rules. The Remuneration Committee consists of all three INEDs and the two executive Directors. One meeting was held during the 2005 financial year. Members of the Remuneration Committee for the year ended December 31, 2005 and their respective attendance at such meeting was:

Number of meetings held		1	
Name of Director	Attendance	Name of Director	Attendance
Mr. Ong, Ka Thai <i>(Chairman)</i>	1/1	Mr. Wu, Choi Sun William	1/1
Mr. Yick, Wing Fat Simon	1/1	Dr. Xue, Wanxiang	1/1
Dr. Hua, Min	1/1		

Role and Function

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and in overseeing remuneration packages of the Company's Directors. It takes into consideration factors such as salaries and compensation packages paid by comparable companies, time commitment and responsibilities of Directors. It would also take into account whether the emoluments offered are appropriate to the duties and performance of the respective individuals concerned and whether such emoluments are competitive and sufficiently attractive to retain such individuals.

REMUNERATION COMMITTEE *(Cont'd)*

Role and Function (Cont'd)

The Remuneration Committee has reviewed current remuneration policies of the Company that the INEDs are remunerated by reference to market comparables and nil remuneration is determined for executive Directors and other non-executive Directors.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements.

The statement of the external auditors of the Company, Messrs. Deloitte Touche Tohmatsu, with regard to their reporting responsibilities on the Company's financial statements is set out in the Auditors' Report on page 38.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

AUDITORS' REMUNERATION

For the year ended December 31, 2005, services provided to the Company by its external auditors, Deloitte Touche Tohmatsu, and the respective fees paid were:

	2005 US\$
Audit services	27,818
Tax compliance service and other services	2,732
	<u>30,550</u>

The Company also appointed other external auditors to perform special review on its investment in unlisted securities as part of the Company's interim review and annual audit procedure.