

SUMMARY

The Board of Directors (the "Board") of the Company is committed to maintain high standards of corporate governance. Since 1 January 2005, the Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "Code Provision") stipulated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). For the financial year ended 31 December 2005 (the "Year"), the Company, in the opinion of the Board, has complied with the Code Provision save as the following deviations in respect of specific term of the appointment of non-executive directors and the availability of independent non-executive directors in the general meeting.

Code Provision A.4.2 stipulates that any director appointed to fill a casual vacancy should be subject to election by members of the Company (the "Members") at the first general meeting after their appointment. To comply with the Code Provision, an amendment to the Company's articles of association (the "Articles of Association") was proposed and subsequently approved by the Members on the extraordinary general meeting held on 13 September 2005. The new amended article specifies that any director appointed to fill a casual vacancy shall hold office until the next following general meeting instead of the next following annual general meeting.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term. The Company has not fixed the term of appointment for non-executive directors, which constitutes a deviation from Code Provision of A.4.1. However, all non-executive directors are also subject to retirement by rotation at least once every three years and re-election at the annual general meeting of the Company pursuant to Article 157 in the Articles of Association amended on 13 September 2005.

Code Provision E.1.2 stipulates that chairmen of the audit and remuneration committees or in the absence of the chairmen of such committees, another member of the committee or failing this his duly appointed delegate, should be available to answer questions at the general meeting. Neither of the Chairmen nor the members of the board committees has attended and been available to answer questions in the annual general meeting and extraordinary general meeting. However, opinions of Independent Non-executive Directors had been expressed and endorsed in the letters from independent board committees, which were included in circulars for the extraordinary general meetings held on 30 June 2005 and 13 September 2005.

The current practices of the corporate governance of the Company will be reviewed and updated in a timely manner in order to comply with the requirements of the Code Provision.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has complied with the requirements for director's securities transactions stated in the Model Code for Securities Transactions (the "Model Code") as set out in Appendix 10 of the Listing Rules. All directors of the Company (the "Directors") have confirmed that they have complied with the required standards as set out in the Model Code for the Year.

BOARD OF DIRECTORS AND BOARD MEETING

As at 31 December 2005, the Board comprises six directors, including:

Executive Directors

PANG Shuen Wai, Nichols (*Chairman*)
KITCHELL, Osman Bin (*Chief Executive Officer*)
AU Shuk Yee, Sue
(*resigned on 17 January 2006*)

(*collectively the "Executive Directors"*)

Independent non-executive Directors

LAM Ping Cheung
CHUNG Kong Fei, Stephen
TSANG Wing Ki

(*collectively the "Independent Non-executive Directors"*)

WONG Man Hon, Frederick was appointed as an executive director on 24 January 2006.

Details of the backgrounds and qualifications of the directors are set out in the Biographical Details of the Directors and Senior Management on pages 8 and 9 of the annual report for the Year (the "Annual Report"). All directors of the Board (the "Directors") have grave concern, sufficient time and attention to all the significant issues and affairs of the Company and its subsidiaries (collectively the "Group"). Each Executive Director has accumulated sufficient and valuable experience to hold his position in order to ensure that his fiduciary duties can be carried out in an effective and efficient manner. None of the Directors have, in any respect, related to each other in any circumstances.

To improve the transparency and independency of the corporate governance of the Company, the fiduciary duties of the chairman and the chief executive officer of the Company are segregated and not exercised by the same individual. Messrs. PANG Shuen Wai, Nichols was appointed as the chairman of the Company (the "Chairman") while KITCHELL, Osman Bin was appointed as the chief executive officer of the Company (the "Chief Executive Officer") on 22 July 2005. The Chairman is responsible for the management of the Board and external corporate communication. The Chief Executive Officer is responsible for the day-to-day operation, including but not limited to, the implementation of the overall strategy of the Company. As at 31 December 2005, the Company had 7 employees, including three Executive Directors and three Independent Non-executive Directors. The Board is responsible for all management functions of the Company.

To act in the best interest of the Members, the Company has appointed Messrs. CHUNG Kong Fei, Stephen, LAM Ping Cheung and TSANG Wing Ki as Independent Non-executive Directors. All of them have relevant and sufficient experience in listed companies.

The Company has received annual confirmation of independence from the three Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that they are independent under the definition of the Listing Rules.

The Directors had four full Board meetings for the Year. Statistics of Directors' attendance at the Board meetings are:

Executive Directors	Attendance
PANG Shuen Wai, Nichols	4/4
AU Shuk Yee, Sue	4/4
KITCHELL, Osman Bin	4/4
Independent non-executive Directors	
LAM Ping Cheung	4/4
CHUNG Kong Fei, Stephen	1/4
TSANG Wing Ki	4/4
WONG Ying Seung, Asiong	3/4

To ensure the compliance of the Code Provision, the Board will communicate among themselves on other occasions should a decision on a particular matter from the Board is sought save for the regular Board meetings. Notice of each board meeting and details of its agenda would be delivered 14 days in advance to the Board. Minutes of each board meeting would be sent to Directors within 7 days after the meetings.

REMUNERATION OF DIRECTORS

The remuneration committee of the Company (the "Remuneration Committee") was established in September 2005. As at 31 December 2005, the Remuneration Committee comprises two of the three Independent Non-executive Directors and one Executive Director:

LAM Ping Cheung (*Independent Non-executive Director*)

TSANG Wing Ki (*Independent Non-executive Director appointed as committee member on 28 December 2005*)

PANG Shuen Wai, Nichols (*Executive Director*)

WONG Ying Seung, Asiong (*Independent Non-executive Director resigned as committee member on 28 December 2005*)

During the Year, the Remuneration Committee and the other directors held one meeting to adopt the terms of reference of the Remuneration Committee and in the opinion of the Board, the adopted terms of reference of the Remuneration Committee is in compliance with B.1.3 of the Code Provision.

NOMINATION OF DIRECTORS

Nomination committee has not been set up to deal with the nomination of directors in the Company after having an assessment and a review. The Board, however, will review the profile of each Director and nominated directors (if any) on a regular basis to ensure that the composition of the Company's Board meets the general requirements under the Listing Rules and other compliance issues and that the Company's Board is capable to fulfill its obligations in terms of fiduciary duties and can act in the best interest of the Members of the Company.

AUDITORS' REMUNERATION

The audit committee of the Company (the "Audit Committee") is responsible for considering the appointment of external auditors and reviewing any non-audit functions performed by external auditors. On 20 April 2005, Messrs. Moores Rowland Mazars was appointed to act as the auditors of the Group. During the Year, amounts of HK\$240,000 and HK\$130,364 have been paid to the Company's auditors, Messrs Moores Rowland Mazars, for the provision of audit services and the purpose of reviewing the financial information included in the circular and prospectus relating to the Company's rights issue, respectively.

AUDIT COMMITTEE

The Company's Audit Committee was established in January 2003. The primary duties of the Audit Committee are to communicate with the Executive Directors of the Company from time to time, including but not limited to, to be in charge of the appointment of external auditors, auditing expenses and any matters regarding the resignation or dismissal of the external auditors; to discuss with the external auditors on the nature and scope of audit prior to commencement of the auditing procedures; to review the accounting principles and practices adopted by the Company; to monitor the effectiveness of its internal control systems; and to approve the interim and annual accounts of the Company. All members of the Audit Committee are Independent Non-executive Directors. As at 31 December 2005, members of the Audit Committee are:

LAM Ping Cheung
CHUNG Kong Fei, Stephen
TSANG Wing Ki

On 20 April 2005, a meeting of the Audit Committee was held for the purpose of agreeing the Board's decision to appoint Messrs. Moores Rowland Mazars to act as the auditors of the Group and to fill the vacancy occasioned by the retirement of PricewaterhouseCoopers.

In addition, the Audit Committee held two meetings for the purpose of reviewing and considering the Company's financial results during the Year. Statistics of attendance of the Audit Committee meetings are as follows:

Committee members	Attendance
LAM Ping Cheung	3/3
CHUNG Kong Fei, Stephen	0/3
TSANG Wing Ki	3/3
WONG Ying Seung, Asiong	3/3

The Group's unaudited interim results for the six months ended 30 June 2005 and audited annual results for the financial year ended 31 December 2005 were reviewed by the Audit Committee, which opined that the preparations of the two sets of results announcements were in compliance with the applicable accounting standards and practices.

INTERNAL CONTROL REVIEW

The principal activities of the Group are engaged in trading of securities of listed and unlisted companies. Recommendations were principally made by CU Investment Management Limited and were reviewed and executed by the Board. The Board believed that provisions stipulated in Chapter 21 of the Listing Rules are followed when making investment decisions. The Board is of the view that the internal control of the Company to be considered sufficient for the time being.

DIRECTORS' AND AUDITORS RESPONSIBILITIES FOR ACCOUNTS

Responsibilities of the Directors and the Auditors are set out on page 22 of the Annual Report. The Directors acknowledge their responsibilities in relation to the preparation of financial accounts (the "Accounts") for each financial year for the purposes of giving a true and fair view of the state of financial affairs of the Group and the presentation of interim and annual Accounts and announcements to Members. The Directors aim to present a fair and reasonable assessment of the Company's position and prospects to the Members and to disclose proper and relevant information required under the Listing Rules. Given that the Board is not aware of any material uncertainties relating to the events or conditions that may cause any significant doubt upon the going concern of the Company, the Board therefore continues to adopt going concern approach when preparing the Accounts for the Year.

COMMUNICATIONS WITH SHAREHOLDERS

Individual resolution in response to specific issues (including proposals related to capital reorganization, issue of convertible bonds and rights issue) has been put forward to Members to consider in the general meetings during the Year. During the Year, the Company had held one annual general meeting and three extraordinary general meetings.

Neither chairmen nor members of the committees had attended and been made available to answer questions in the general meetings, which constitute a deviation from the Code Provision E.1.2. However, opinions of the Independent Non-executive Directors had been expressly stated in the letters issued by the independent board committees, which were included in the circulars for the general meetings held on 30 June 2005 and 13 September 2005.

VOTING BY POLL

In compliance with the requirements on the poll voting procedures, the Company has informed the Members in respect of the procedures for voting by poll and the rights of the Members in demanding for poll in each general meeting. Pursuant to Article 100 of the Company's Articles of Association, a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded at any general meeting.

In the general meetings held during the Year, the Company counted all proxy votes, and except where polls were required, chairman of each general meeting had expressly indicated to the members attending the meetings the levels of proxies lodged on each resolution, and the balance for and against the resolution, after each of the resolution had been dealt with on a show of hands.

Furthermore, Article 100 of the Articles of Association, a vote by poll may be demanded by:

- (a) the Chairman of the meeting; or
- (b) at least five members present in person or by proxy and entitled to vote; or
- (c) any member or members present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right attend and vote at the meeting; or
- (d) any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

In the general meetings held during the Year, there were resolutions requiring polls either demanded by the chairmen of the meetings or required under the Listing Rules. In each occasion, votes cast were properly counted and recorded. Tengis Limited, the Company's Hong Kong Branch Registrar, acted as scrutineer in each occasion. In each general meeting held during the Year, the Company had ensured that:

- (i) the procedure for demanding a poll by the Shareholders before putting a resolution to the vote on a show of hands; and
- (ii) the detailed procedures for conducting a poll and then answer any questions from the Shareholders whenever voting by way of a poll is required.

As such, the Company has complied with the requirements in relation to vote by poll.