

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders value.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Rules (“Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) which came into effect on 1 January 2005 as its own code of corporate governance practices.

During the year ended 31 December 2005, the Company was in compliance with the code provisions set out in the CG Code except for the following:

Code provision A.4.2 of the CG Code requires every director appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. To ensure compliance with the CG Code, the Board proposes necessary amendments to the Articles of Association (“Articles”) to bring the constitution of the Company in alignment with the above code provision at the annual general meeting of the Company to be held on 24 May 2006. A special resolution will be proposed to amend the Articles so that (i) any Director appointed by the Board to fill a casual vacancy shall be subject to re-election by shareholders at the Company’s first general meeting after their appointment, and (ii) every Director shall be subject to retirement by rotation at least once every three years and Directors holding office as the Chairman or Vice Chairman of the Board or the Managing Director or joint Managing Director shall also be subject to retirement by rotation.

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Up to the date of this report, the Company has not appointed chairman and chief executive officer and the roles and functions of the chairman and the chief executive officer have been performed by all the executive Directors collectively. The Board considers this given the nature of the Company is investment holding and all investment decisions are made by the Board, the present structure is appropriate for the Company and has the advantages of allowing contributions from all executive Directors with different expertise.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the year ended 31 December 2005.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the required standards of dealings regarding securities transactions by Directors as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) of the Listing Rules. All the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, investment and strategic decisions and performance. The Investment Manager was delegated with the authority and responsibility by the Board for the day-to-day operations of the Group while reserving certain key matters for the approval by the Board. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these Board Committees are set out in this report.

The Board currently consists of six Directors including three executive Directors and three independent non-executive Directors:

Executive Directors

Mr. Francis J. Chang Chu Fai

Mr. Lim Siang Kai

Mr. See Lee Seng, Reason

Independent non-executive Directors

Mr. Chung Koon Yan

Mr. Yue Man Yiu, Matthew

Mr. Zheng Weihe

Save for the fact that Mr. Chang, Mr. Lim and Mr. See are also substantial shareholders of, and Mr. See is also a director of Golden Honour Assets Management Limited, the Investment Manager of the Company, the Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board and has met the recommended practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors. The biographical information of the Directors are set out on pages 17 to 19 of the Report of the Directors under the section headed "Biographical Details of Directors and Senior Management".

Chairman and Chief Executive Officer

Up to the date of this report, the Company has not appointed chairman and chief executive officer and the roles and functions of the chairman and chief executive officer have been performed by all the executive Directors of the Company collectively. The Board considers that given the nature of the Company is investment holding and all investment decisions are made by the Board, the present structure is appropriate for the Company and has the advantages of allowing contributions from all Directors with different expertise.

CORPORATE GOVERNANCE REPORT

Non-executive Directors

The three independent non-executive Directors are well-qualified professionals, with academic and professional qualifications in the accounting and legal fields. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

The independent non-executive Directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Articles.

Board Meetings

The Board has 12 scheduled meetings a year at monthly interval and additional meetings will be held as and when required. During the financial year ended 31 December 2005, the Board held 20 meetings.

Name of Director	Number of attendance
<i>Executive Directors</i>	
Mr. Francis J. Chang Chu Fai	20/20
Mr. Lim Siang Kai	17/20
Mr. See Lee Seng, Reason	20/20
<i>Independent non-executive Directors</i>	
Mr. Chung Koon Yan	20/20
Mr. Yue Man Yiu, Matthew	20/20
Mr. Zheng Weihe	0/20

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

Appropriate insurance cover has been arranged in respect of relevant actions against its Directors.

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the investment business.

Furthermore, as the full Board is responsible for the selection and approval of candidate for appointment as Director to the Board, therefore the Company has not established a Nomination Committee for the time being.

REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee (the “Remuneration Committee”) on 28 June 2005 which consists of two independent non-executive Directors, namely Mr. Chung Koon Yan (as Chairman) and Mr. Yue Man Yiu, Matthew, and one executive Director, namely Mr. Lim Siang Kai.

The Remuneration Committee is mainly responsible for making recommendations to the Board on matters relating to the Company’s policy and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

One Remuneration Committee meeting was held during the year under review, with full attendance of every member, to discuss about the remuneration package of Directors, general manager and the qualified accountant.

The Company has adopted a share option scheme on 7 October 2002. The purpose of the share option scheme is to enable the Board, at its discretion, to grant options to any eligible participants which include Directors as incentives or rewards for their contribution to the Group. Details of the share option scheme are set out in the Directors’ Report and note 20 to the financial statements. Details of the Directors’ remuneration are set out in note 12 to the financial statements.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditors, Grant Thornton, is set out below:

	Fee paid/payable <i>HK\$'000</i>
Services rendered	
Audit services	168
Non-audit services	–
	168

AUDIT COMMITTEE

The Company established an Audit Committee (the "Audit Committee") on 7 October 2002. The Audit Committee comprises three independent non-executive Directors, namely Mr. Yue Man Yiu, Matthew (as Chairman), Mr. Chung Koon Yan and Mr. Zheng Weihe.

The Audit Committee shall meet at least twice a year. The Audit Committee is mainly 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 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 Company's financial reporting system and internal control procedures.

Terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the CG Code.

The Audit Committee shall meet the external auditors to discuss any area of concern during the audit or review. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

Two Audit Committee meetings were held during the year.

Name of member	Number of attendance
Mr. Yue Man Yiu, Matthew	2/2
Mr. Chung Koon Yan	2/2
Mr. Zheng Weihe	2/2

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's account for each financial period and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that 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.