

CORPORATE GOVERNANCE REPORT

The Company has always recognized the importance of the Company's transparency and accountability. It is the belief of the board of directors (the "Board") that shareholders can maximize their benefits from good corporate governance.

The Company has adopted the code provisions set out in the Code of Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which became effective on 1 January 2005 and in place of the Code of Best Practice, as its own code of corporate governance practices. To ensure compliance with the CG Code, the Board has undertaken to review and propose the necessary amendments to the articles of association of the Company to bring the constitution of the Company in alignment with certain provisions of the CG Code. At the last annual general meeting of the Company held on 29 June 2005, the relevant resolution concerning the amendment of the articles of association of the Company was duly passed so that one third of the directors shall retire from office by rotation at each annual general meeting provided that every director (including those appointed for a specific term) shall be subject to retirement at least once every three years.

Accordingly, in the opinion of the directors, the Company has applied the CG code contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2005, save for the deviations discussed below. The following sections set out the principles in the CG Code as they have been applied by the Company, including any deviations therefrom, for the year under review.

THE BOARD

The Board has overall responsibility for the management of the Company, and the implementation of the investment policy of the Company, which includes, inter alia, the adoption of long term corporate strategies, assessment of investment projects, supervision of the management of the Company to ensure that the Company's investments are conducted in accordance with the objectives of the Company, and reviewing financial performance. The Company's investment portfolio is managed by United Gain Investment Limited (before 13 June 2005, is managed by China Core Capital Management Limited), the Company's investment manager (the "Investment Manager"), in accordance with the terms and conditions of an investment management and administration agreement entered into between the Company and the Investment Manager.

The Board currently has six Directors of whom three are Executive Directors and three are Independent Non-executive Directors.

The Board has held 18 meetings during the year ended 31 December 2005 and the attendance of each Director is set out below:

Name of director	Number of meetings attended
<i>Executive Directors:</i>	
Mr. Li Ji Ning (appointed on 30 June 2005)	7
Mr. Ma Kam Fook, Robert	17
Ms. Pang Bang Xuan (resigned on 8 July 2005)	9
Mr. Chu Wai Lim (appointed on 19 January 2005)	14



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THE BOARD – continued

Name of director	Number of meetings attended
<i>Independent Non-executive Directors:</i>	
Mr. Foo Chi Ming*	15
Mr. Wong Chi Keung*	14
Ms. Li Pik Ha (appointed on 19 January 2005)	13
Mr. Fung Choi On (resigned on 19 January 2005)	2

* Subsequent to the year end, Mr. Foo Chi Ming and Mr. Wong Chi Keung resigned as Independent Non-executive Directors

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

Each of the Independent Non-executive Director has given the Company an annual confirmation of his/her independence. The Company considers such Directors to be independent under the guidelines set out in rule 3.13 of the Listing Rules.

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER (“CEO”)

During the year ended 31 December 2005, the Board appointed Mr. Li Ji Ning as the Chairman. As no CEO was appointed by the Company, Mr. Li Ji Ning was also appointed by the Board as an acting CEO during the year under review. This structure is not complied with the code provision of the CG Code in the fullest extent.

Mr. Li is primarily responsible for the strategic planning, formulation of overall corporate development policy and running the business of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board, the management and the Investment Manager of the Company. Such balance of power and authority is ensured by the Board from time to time by holding regular meetings to discuss the issues affecting the management of the Company and further investment decision is based on the professional recommendation of the Investment Manager. The Board believes that the structure outlined above would be beneficial to the Company and its business.

Subsequent to the year end, Mr. Wu Siu Chung was appointed as the CEO of the Company.

THE BOARD COMMITTEES

AUDIT COMMITTEE

The Company established an Audit Committee on 25 January 2002 with its written terms of reference formulated in accordance with the requirements of the Listing Rules. For the year under review, the Audit Committee had been composed of three Independent Non-executive Directors: Mr. Foo Chi Ming, Ms. Li Pik Ha and Mr. Wong Chi Keung. Mr. Wong Chi Keung was the chairman of the Audit Committee. Subsequent to the year ended 31 December 2005, Mr. Wong Chi Keung and Mr. Foo Chi Ming resigned due to personal reasons, and Mr. Shiu Kwok Keung and Ms. Yin Ling were appointed to fill the vacancy of Mr. Wong and Mr. Foo. The Audit Committee has adopted terms of reference which are in line with the CG Code. The Audit Committee met 4 times during the year to review the completeness, accuracy and fairness of the Company’s financial statements, the Company’s financial reporting system and internal control procedures, the scope and nature of the external audit and matters concerning the engagement of external auditors. The Audit Committee is also 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. All the committee members had attended the meetings.

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REMUNERATION COMMITTEE

The Board established a Remuneration Committee on 30 August 2005. The Remuneration Committee comprises one Executive Director and two Independent Non-executive Directors: Mr. Li Ji Ning, Mr. Li Pik Ha and Mr. Foo Chi Ming. Mr. Li Ji Ning is the chairman of the Remuneration Committee. Subsequent to the year ended 31 December 2005, Mr. Foo Chi Ming resigned due to his personal reasons, and Mr. Shiu Kwok Keung and Ms. Yin Ling had been appointed to fill the vacancy of Mr. Foo. The Remuneration Committee has adopted terms of reference which are in line with the CG Code. One meeting was held during the year ended 31 December 2005 to review the remuneration policy and remuneration packages of the Executive Directors. All the committee members had attended the meeting.

DIRECTOR'S 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. Grant Thornton, with regard to their reporting responsibilities on the Company's financial statements is set out in the Auditors' Report on page 19.

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 31 December 2005, services provided to the Company by its external auditors, Grant Thornton, and Deloitte Touche Tohmatsu (for interim report) and the respective fees paid/payable were:

	<u>HK\$</u>
Audit services	185,000
Tax compliance service and other services	<u>25,000</u>
	<u>210,000</u>