

CORPORATE GOVERNANCE REPORT



CORPORATE GOVERNANCE PRACTICES

Following the issue of the Code on Corporate Governance Practices (the “Code”), as set out in Appendix 14 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”), the Company has carefully reviewed and considered its Provisions, and carried out a detailed analysis on the corporate governance practices of the Company which against the requirements of the Code.

Throughout the financial year ended 31 March 2006, except for the following requirements that deviate from the Code are (i) the roles and responsibilities between the chairman and executive director have not been divided, (ii) the non-executive Directors is not appointed for a specified term but is subject to the provision for retirement and rotation of Directors under the Company’s Articles, and (iii) according to the existing Articles, at each annual general meeting one-third of the Directors, or if their number is not 3 or a multiple of 3, then the nearest to but not exceeding one-third, shall retire from office by rotation provided that no Director holding office as Chairman or Vice Chairman or the office of Managing Director or Joint Managing Director shall be subject to retirement by rotation, the Company has complied with all code provisions on the Code. The Company continues to improve its corporate governance and believes that good corporate governance will bring long-term benefits to its shareholders.

DIRECTOR’S SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that all the directors have complied with the required standard set out in the Model Code throughout the year.

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, Executive Board, and senior management have been 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.



CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

The Board currently consists of seven Directors including one executive Director, three non-executive Directors, and three independent non-executive Directors:

Executive Director

Mr. Wang Chun Lin (*Chairman*)

Non-executive Directors

Mr. Luk Cheong

Ms. Wang Annie

Mr. Li Jian Wei

Independent Non-executive Directors

Mr. Li Man Nang

Mr. Wang Tianye

Ms. Fong Tsz Ying

Save for the fact that Mr. Wang Chun Lin, Mr. Luk Cheong, and Mr. Li Jian Wei are also substantial shareholders 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 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 5 to 7 under the section headed "Biographical Details of Directors of the Company and the Investment Manager".

Chairman and Executive Director

Provision A.2.1 of the Code stipulates that the roles and responsibilities between the chairman and executive director should be separate and should not be performed by the same individual. Mr. Wang Chun Lin ("Mr. Wang") is the Chairman of the Company and has also carried out the responsibilities of Executive Director. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board considers that given the nature of the Company is investment holding and all investment decisions are made by the Board. The Directors believe that this board structure can ensure effective flow of information and the business strategies can be fully implemented. The Directors also believe that the Chairman can discharge his responsibilities more efficiently. The Board has full confidence in Mr. Wang, and believes that his appointment to the posts of Chairman and Executive Director of the Company is beneficial to the business prospects of the Company as a whole.

CORPORATE GOVERNANCE REPORT



BOARD OF DIRECTORS *(continued)*

Non-executive Directors and independent non-executive Directors

The three non-executive Directors and the three independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of accounting and financial industries. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Furthermore, the Company had received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.

Under the Code Provision A.4.1, non-executive directors should be appointed for specific terms, subject to re-election at the general meeting of the Company. Currently, all the Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the forthcoming annual general meeting in accordance with the Articles. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than in the Code.

Under the Code Provision A.4.2, a resolution will be proposed at the forthcoming annual general meeting of the Company to seek the approval of the shareholders of the Company to amend the Articles so that all Directors appointed to fill a casual vacancy should be subject to election by the shareholders of the Company at the first general meeting after their appointment and every Directors, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

Board Meetings

The Board has four scheduled meetings a year at quarterly interval and additional meetings are held as and when required. During the financial year ended 31 March 2006, the Board held 5 meetings.

Name of Director	Number of attendance
<i>Executive Director</i>	
Mr. Wang Chun Lin	5/5
<i>Non-executive Directors</i>	
Mr. Luk Cheong	5/5
Ms. Wang Annie	5/5
Mr. Li Jian Wei	5/5
<i>Independent Non-executive Directors</i>	
Mr. Li Man Nang	5/5
Mr. Wang Tianye	5/5
Ms. Fong Tsz Ying	5/5

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.

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 and/or other professional areas.

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.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee on 20 February 2006 which consists of two independent non-executive Directors, namely Mr. Wang Tianye (as Chairman) and Mr. Li Man Nang, and one executor Director, namely Mr. Wang Chun Lin.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy for Directors, senior management, and investment manager and overseeing the remuneration packages of the executive Directors, senior management, and investment manager.

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, qualified accountant, and investment manager.

AUDITORS' REMUNERATION

During the year under review, the remuneration in respect of audit and non-audit services provided by the Company's auditors, HLM & Co, is set out below:

Services rendered	paid/payable HK\$'000
Audit services	100
Non-audit services	–

AUDIT COMMITTEE

Three independent non-executive Directors, namely Mr. Li Man Nang (as Chairman), Mr. Wang Tianye, and Ms. Fong Tsz Ying were appointed as members of the Audit Committee on 29 September 2003.

The Committee will meet at least twice a year. The Committee is mainly responsible for overseeing the Company's financial reporting system and internal control procedures; making recommendations to the Board in the appointment 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; and reviewing the interim and annual reports and accounts of the Group.

Two Committee meetings were held during the year.



CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE *(continued)*

Name of member	Number of attendance
Mr. Li Man Nang	2/2
Mr. Wang Tianye	2/2
Ms. Fong Tsz Ying	2/2

DIRECTORS RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial period and to 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.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board has delegated to the management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures. An Audit Committee composites member of the management was established for conducting a review of the internal control of the Group which cover the material controls including financial, operational and compliance controls and risk management functions. Procedures have been set up, inter alia, for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. The management throughout the Group maintains and monitors the internal control system on an ongoing basis.

INVESTOR RELATIONS

During the year under review, the Group has proactively enhanced its corporate transparency and communications with its shareholders and the investment community through its mandatory interim and final reports announcement. Through the timely distribution of press releases, the Group has also kept the public abreast of its latest developments.

CORPORATE GOVERNANCE REPORT



COMMUNICATION WITH SHAREHOLDERS

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. The Chairman as well as Chairman of the Audit and Remuneration Committees and members of the Committees are pleased to answer shareholders' questions. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual directors. Details of poll voting procedures and the rights of shareholders to demand a poll are included in the circular to shareholders dispatched together with the annual report. The circular also includes relevant details of proposed resolutions, including biographies of each candidates standing for re-election. The results of the poll are published in the newspapers and on the website of The Stock Exchange of Hong Kong Limited, www.hkex.com.hk.