

The Board is committed to maintain sound corporate governance standard and procedures to ensure integrity, transparency and quality of disclosure to promote the ongoing development of the long term best interests of the Company and to enhance value for all 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, 2006, 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, 2006, and they have all confirmed their full compliance with the required standard as set out in the Model Code.

INTERNAL CONTROL REVIEW

In compliance with the Listing Rules, a review of the Company’s internal control was performed in the second half of 2006. The Company appointed BDO McCabe Co. Limited, certified public accountants (“BDO”) to carry out a thorough review of the Company’s internal control and present a report to the Board for review. According to an Internal Audit Report presented by BDO, the assessment of the control environment of the Company within the scope of review is generally satisfactory; the management of the Company and of the Investment Manager have generally followed the internal policies and guidelines that have been set out by the Board. The Internal Audit Report produced had been reviewed and discussed by the Board. Appropriate revisions and updates have been made to the Company’s internal policies to address the findings and recommendations made in the report.

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 the 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 daily operations are managed by the Company’s investment manager, Shanghai International Asset Management (Hong Kong) Company Limited (the “Investment Manager”) pursuant to the terms and conditions of an investment management and administration agreement (the “Investment Management Agreement”) signed between the Company and the Investment Manager, details of which are set out on pages 28 to 29 under the heading “Investment Management and Administration Agreement and Continuing Connected Transactions”.

BOARD OF DIRECTORS (Cont'd)**Composition**

The Board comprises thirteen Directors of whom two are executive Directors, eight are non-executive Directors and three are independent non-executive Directors (“INEDs”). There is no designated Chairman 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 25 to 28 under the heading “Biographical Details of Directors”.

The Board held four Board meetings during the 2006 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, 2006 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	0/4
Dr. Xue, Wanxiang	4/4	Mr. Hu, Jinggang	4/4
Dr. Hua, Min	4/4	Mr. Lee, Tien-chieh	3/4
Mr. Ong, Ka Thai	4/4	Mr. Tseng, Ta-mon	2/4
Mr. Yick, Wing Fat Simon	4/4	Dr. Wang, Changhong	3/4
Mr. Cai, Nongrui	3/4	Mr. Zhou, Youdao	0/4
Mr. Chen, Chi-chuan	2/4	Mr. Chiang, Ching-yee	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, some of which are substantial shareholders of the Company as at December 31, 2006. Details of such relationships are set out on 30 to 31 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, 2006. All of them are free to exercise their individual judgment.

BOARD OF DIRECTORS *(Cont'd)*

Retirement and re-election of Directors

1. Any Director appointed by the Board, either to fill a vacancy or as an addition, 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 such 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 does not offer himself for re-election.
4. Further Directors to retire shall be those having been in office the longest since their last re-election of appointment and subject to retirement by rotation.

Independent Non-Executive Directors

Each of the INEDs has filed a written confirmation to the Company confirming their independence and has undertaken to inform the Stock Exchange 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 contracts with the Company for a term of two years with specific terms of reference and remunerated at HK\$100,000 per year. No other Directors have service contracts with the Company or received remuneration from 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 practice to appoint new directors is that all valid nomination of candidates, accompanied with details of their biographical backgrounds, for directorships in the Company would be presented to the Board for consideration as soon as practicable. Consideration would be given to factors such as the candidate's integrity, experience and qualifications relevant to the Company's business. It is believed that members of the Board collectively would have the required professional knowledge and skills to identify, recruit and evaluate 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 2006 financial year. Members of the Audit Committee for the year ended December 31, 2006 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	2/2
Mr. Ong, Ka Thai	2/2	Mr. Chen, Chi-chuan	1/2

Role and Function

Primary duties of the Audit Committee are to ensure the accuracy, completeness, objectivity and credibility of the Company's financial reporting and internal control procedures.

The Audit Committee is to review the Company's interim and annual financial statements and to make recommendations for the approval of such interim and annual financial statements by the Board. External auditors were present in all Audit Committee meetings and participated in discussions as to the adequacy and effectiveness of the Company's internal control and management information system. Members of the Audit Committee have complete and unrestricted access to the external auditors and senior staff of the Company for information.

During 2006, the Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with the management the internal controls and financial reporting matters during the year 2006. It has also reviewed the half-year results for the period ended June 30, 2006 and the annual results for the year ended December 31, 2006 of the Company before their respective announcements.

REMUNERATION COMMITTEE

Composition

The Company formulated written terms of reference for its Remuneration Committee conforming to requirements of the Listing Rules. The Remuneration Committee consists of all three INEDs and the two executive Directors, namely Mr. Ong, Ka Thai (*Chairman*), Mr. Yick, Wing Fat Simon, Dr. Hua, Min, Mr. Wu, Choi Sun William and Dr. Xue, Wanxiang. No meeting was held during the 2006 financial year. In 2005, the Remuneration Committee has reviewed current remuneration policies of the Company that the INEDs are remunerated by reference to market comparables and no remuneration is determined for executive Directors and other non-executive Directors.

REMUNERATION COMMITTEE *(Cont'd)*

Role and Function

The Remuneration Committee is to ensure formal and transparent procedures to develop remuneration policies and to oversee remuneration packages of the Company's Directors. It takes into consideration such factors like salaries and compensation packages paid by comparable companies, time commitment and responsibilities required of Directors. Its function also encompasses examination of the appropriateness of emoluments offered to concerned individuals for their duties and performance and whether such emoluments are competitive and conducive to retain the services of such individuals.

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 33.

The Directors confirm that, to the best of their knowledge, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cause the Company not to continue as a going concern.

AUDITORS' REMUNERATION

For the year ended December 31, 2006, services provided to the Company by its external auditors, Deloitte Touche Tohmatsu, and the respective fees paid were:

	2006 US\$
Audit services	21,034
Taxation compliance and other services	3,846
	24,880

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.