



## CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining sound corporate governance standard and formulating and implementing procedures to ensure integrity, transparency and quality of disclosure in order to promote the ongoing development of the best long term interest of the Company and enhancing value for all of its shareholders.

The Board has reviewed the Code on Corporate Governance Practices (the "CG Code") issued by the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and has adopted the same as the Company's own code of corporate governance practices. During the financial year ended 31 December 2006, the Company has complied with all of the provisions under the CG Code, except for the details stated in "The Chairman and Chief Executive Officer" on page 13.

### 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 as Investment Manager of the Company during the year ended 31 December 2006 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. During the period from 18 January 2006 to 28 February 2006 and the period from 30 June 2006 to 28 September 2006, the Company had only two Independent Non-executive Directors. To ensure the Company's compliance with the Listing Rules requirement that the Board should include at least three Independent Non-executive Directors, the Company appointed Mr. Shiu Kwok Keung on 1 March 2006 and Mr. Chen Man Lung on 29 September 2006 as Independent Non-executive Directors.

The Board held 22 meetings during the year ended 31 December 2006 and the attendance of each Director is set out below:

<b>Name of Director</b>	<b>Number of meetings attended</b>
<i>Executive Directors:</i>	
Mr. Li Ji Ning ( <i>Chairman</i> )	11
Mr. Ma Kam Fook, Robert *	13
Mr. Chu Wai Lim	22
Mr. Lau Shun Chi, Benjamin (appointed on 9 November 2006)	6



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### THE BOARD – continued

<b>Name of Director</b>	<b>Number of meetings attended</b>
<i>Independent Non-executive Directors:</i>	
Ms. Yin Ling (appointed on 18 January 2006)	5
Mr. Shiu Kwok Keung (appointed on 1 March 2006)	13
Mr. Chen Man Lung (appointed on 29 September 2006)	5
Ms. Li Pik Ha (resigned on 30 June 2006)	5
Mr. Wong Chi Keung (resigned on 18 January 2006)	0
Mr. Foo Chi Ming (resigned on 18 January 2006)	0

\* Subsequent to the year end, Mr. Ma Kam Fook, Robert resigned as Executive Director with effect from 1 April 2007.

To the best knowledge of the Board, there is no financial, business or family relationship among members of the Board as at 31 December 2006. All of them are free to exercise their individual judgment.

Each of the Independent Non-executive Directors 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. Subject to the Bye-Laws of the Company, each Independent Non-executive Director has been appointed for a term of one year. All Directors are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Bye-laws of the Company.

### THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CG Code A.2.1 stipulates the role of Chairman and Chief Executive Officer (the "CEO") should be separate and should not be performed by the same individual.

The Board appointed Mr. Wu Siu Chung as the CEO of the Company starting January 2006 but due to personal reasons, he resigned on 31 May 2006. For the period from June to September 2006, Mr. Li Ji Ning was assigned by the Board to take up the role of CEO until October 2006 when the Board appointed Mr. Lau Shun Chi, Benjamin as the Company's CEO. As such, for the period where Mr. Li Ji Ning was both the Chairman and CEO, the Company did not comply with the code provision of the CG Code to the fullest extent. During this period, the Board has taken steps to ensure that a balance of power and authority was maintained by holding regular meetings to discuss the issues affecting the management of the Company. The Board believed that the measure outlined above was necessary and beneficial to the Company and its business.



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### 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. The Audit Committee currently consists three Independent Non-executive Directors: Ms. Yin Ling, Mr. Shiu Kwok Keung and Mr. Chen Man Lung. Mr. Shiu Kwok Keung was the chairman of the Audit Committee. During the year under review, the following members resigned due to personal reasons: Mr. Wong Chi Keung (resigned on 18 January 2006), Mr. Foo Chi Ming (resigned on 18 January 2006) and Ms. Li Pik Ha (resigned on 30 June 2006) and the following members were appointed to fill the vacancy: Ms. Yin Ling (appointed on 18 January 2006), Mr. Shiu Kwok Keung (appointed on 1 March 2006) and Mr. Chen Man Lung (appointed on 29 September 2006).

The Audit Committee has adopted terms of reference which are in line with the CG Code. The Audit Committee met 3 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. The attendance of each member is set out below:

<b>Name of Director</b>	<b>Number of meetings attended</b>
Ms. Yin Ling (appointed on 18 January 2006)	1
Mr. Shiu Kwok Keung (appointed on 1 March 2006)	3
Mr. Chen Man Lung (appointed on 29 September 2006)	1
Ms. Li Pik Ha (resigned on 30 June 2006)	1
Mr. Wong Chi Keung (resigned on 18 January 2006)	0
Mr. Foo Chi Ming (resigned on 18 January 2006)	0

#### REMUNERATION COMMITTEE

The Board established a Remuneration Committee on 30 August 2005 to review and make recommendations to the Board on matters relating to the remuneration of the Directors and the senior management of the Company. The Remuneration Committee currently consists one Executive Director and three Independent Non-executive Directors: Mr. Li Ji Ning (Executive Director), Ms. Yin Ling (Independent Non-executive Director), Mr. Shiu Kwok Keung (Independent Non-executive Director) and Mr. Chen Man Lung (Independent Non-executive Director). Mr. Li Ji Ning was the chairman of the Remuneration Committee. During the year under review, Ms. Li Pik Ha resigned due to personal reasons and Mr. Chen Man Lung was appointed to fill the vacancy.



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### REMUNERATION COMMITTEE – continued

The Remuneration Committee has adopted terms of reference which are in line with the CG Code. Three meetings were held during the year ended 31 December 2006 to review the remuneration policy and remuneration packages of the Executive Directors. The attendance of each member is set out below:

<b>Name of Director</b>	<b>Number of meetings attended</b>
Mr. Li Ji Ning	2
Ms. Yin Ling (appointed on 18 January 2006)	3
Mr. Shiu Kwok Keung (appointed on 1 March 2006)	1
Ms. Li Pik Ha (resigned on 30 June 2006)	1
Mr. Chen Man Lung (appointed on 29 September 2006)	1

### 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 Board practice of appointment of new Directors is that all valid nomination of candidates, accompanied with related details of their biographies, for directorships in the Company would be brought before the Board for consideration as soon as practicable. Consideration would be given to factors such as the candidate's experience and qualifications relevant to the Company's business. It is believed that members of the Board would collectively have the required professional knowledge and skills in discharging the Board's responsibility in identifying, recruiting and evaluating new nominees to the Board and the assessment of qualifications of nominated candidates for directorship.

In the year under review, the Board has adopted the aforesaid nomination policy in the nomination and appointment of Directors.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by Directors.



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On specific enquires made, all Directors have confirmed that, in respect of the year ended 31 December 2006, they have complied with the required standard as set out in the Model Code.

### INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls and risk management of the Company and the review of its effectiveness. During the year, the Board has reviewed and ensured the internal control process was properly carried out in making investment or divestment decision with the Investment Manager of the Company; documents and records were properly maintained; and the investment or divestment was in compliance with relevant legislations and regulations.

### 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, Lau & Au Yeung C.P.A. Limited, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditor's Report on pages 17 to 18.

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 2006, services provided to the Company by its newly appointed external auditors, Lau & Au Yeung C.P.A. Limited, and its predecessor auditor, Messrs. Grant Thornton and the fees paid/payable were:

	<u>HK\$</u>
Audit services	<u>241,000</u>

The Company continues to improve its corporate governance and believes it is fundamental for the development of the Company as well as for the benefits of the shareholders. The Board is pleased to confirm that the Company has complied with the Code applicable during the period.