

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 shareholder 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 Listing Rules which came into effect on 1 January 2005 as its own code of corporate governance practices.

During the year ended 31 December 2006, the Company was in compliance with the code provisions set out in the CG Code except for the following:

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.

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, at the annual general meeting of the Company held on 24 May 2006, a special resolution was passed by the then shareholders of the Company to amend the Articles of Association (“Articles”) to bring the constitution of the Company in alignment with the above code provision.

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 2006.

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.

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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 of the Board. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these 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 18 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.

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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 which include 4 regular meetings a year at monthly interval and additional meetings will be held as and when required. The 12 scheduled Board meetings for a year are planned in advance. During regular meetings of the Board, the Directors review the operation and financial performances and review and approve the annual, interim and quarterly results.

During the financial year ended 31 December 2006, the Board held 19 meetings. All Directors are given an opportunity to include any matter in the agenda for regular Board meetings and are given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Director	Number of attendance
Executive Directors	
Mr. Francis J. Chang Chu Fai	19/19
Mr. Lim Siang Kai	18/19
Mr. See Lee Seng, Reason	19/19
Independent non-executive Directors	
Mr. Chung Koon Yan	19/19
Mr. Yue Man Yiu, Matthew	19/19
Mr. Zheng Weihe	4/19

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.

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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.

During the year ended 31 December 2006, there was no change in the composition of the Board, and in this regard, no Board meeting was held for approving the nomination of Directors.

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 the 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 the members, 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.

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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 HK\$'000
Services rendered	
Audit services	168,000
Non-audit services	–
	168,000

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.

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AUDIT COMMITTEE (Continued)

Name of member	Number of attendance
Mr. Yue Man Yiu, Matthew	2/2
Mr. Chung Koon Yan	2/2
Mr. Zheng Weihe	1/2

During the year ended 31 December 2006, the Audit Committee reviewed the interim and annual results of the Group together with the Auditors of the Company; which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

SHAREHOLDER RIGHTS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Articles. Details of such rights to demand a poll were included in the circular to shareholders in relation to the holding of general meeting and explained during the proceedings of the meetings.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board Committees attended the 2006 annual general meeting to answer questions at the meeting.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in the following manner:

- delivery of interim and annual results and reports to all shareholders;
- publication of announcements on the interim and annual results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- the general meeting of the Company is also an effective communication channel between the Board and shareholders.

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DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's account 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 responsibility for maintaining a proper and effective system of internal control of the Group. The internal control system includes safeguard of the interest of shareholders and the Group's assets. The Board has delegated to management the implementation of all relevant financial, operational, compliance controls and risk management function within a defined framework. During the year ended 31 December 2006, the Board has conducted a review of the system of internal control to ensure the effectiveness and adequacy of the system. The Board shall conduct such review at least once annually.