

Corporate Governance Report

The Board always values transparency and accountability as the keys for achieving a high standard of corporate governance, and directors are committed to apply the principles and comply with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2005.

THE BOARD

The Board is collectively responsible for the leadership, control and overall strategic development of the Company, as well as to oversee its internal control and financial performance. The Board also makes investment decision, in light of the advice from the Investment Manager, in accordance with the Company's investment objective.

The Board comprises three Executive Directors and three Independent Non-executive Directors. More than one-third of the Board is Independent Non-executive Directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise.

Each of the Independent Non-executive Directors has made an annual confirmation of independence, and the Company considers that all of the Independent Non-executive Directors are independent in accordance with the guidelines as set out in Rule 3.13 of the Listing Rules.

Board meetings are scheduled to be held at about quarterly interval. The number of Board meetings and the attendance by each director during the year under review is set out below:

Name of Directors	Number of attendance
CHAN Chak Paul	26/26
NGAI Wah Sang	26/26
WANG Daming	7/26
Benny LUI	7/26
Oliver Yeung Kam LAI	7/26
CHAN Francis Ping Kuen	7/26

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company, Mr. CHAN Chak Paul, takes up the role of providing leadership for the Board, to ensure the Board works effectively as well as to discharge its responsibility. He also ensures, with the assistance of the Company Secretary, that good corporate governance practice are in force from time to time, and all key issues are to be discussed by the Board in a timely manner.

The Chief Executive Officer of the Company, Mr. NGAI Wah Sang, is responsible for implementing Company's investment strategies, and managing the day-to-day business of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee (the "Committee") comprises two Independent Non-executive Directors, Mr. Benny LUI and Mr. Oliver Yeung Kam LAI, and the Chairman of the Company, Mr. CHAN Chak Paul. Mr. CHAN also serves as the Chairman of the Committee. Two meetings were held during the year and all members of the Committee had attended the meetings.

The major roles and functions of the Committee as per the terms of reference are as follows:

- to make recommendations to the Board on the Company's policy and structure for the remuneration of the directors;
- to review and recommend the remuneration packages of all executive directors for approval by the Board; and
- to review and approve compensation payable to directors in connection with loss of their office or compensation arrangement relating to dismissal or removal of director.

The Committee has every right to access to professional advice relating to remuneration proposal if considered necessary.

NOMINATION OF DIRECTORS

Directors are responsible for identifying suitable qualified individual for directorship and make recommendation to the Board for consideration. The Board will identify and recommend the proposed candidate to the Board for approval of an appointment as a director based on certain criteria such as appropriate experience and personal skills that the nominated individual can bring into the Board, his or her capability to maintain and improve the competitiveness of the Company, and his or her ability to contribute to the Board in formulating Company's policy and strategies, as well as to the effective ways of discharging the Board's responsibilities.

CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the Code of Conduct regarding directors' securities transactions.

Specific enquiry has been made of all the directors of the Company who have confirmed in writing their compliance with the required standards set out in the Code of Conduct during the year under review.

AUDITORS' REMUNERATION

For the year ended 31 December 2005, the remuneration payable to the Company's external auditors is approximately HK\$150,000 for audit service and HK\$8,000 for tax compliance services.

Corporate Governance Report

AUDIT COMMITTEE

The Company has an Audit Committee comprising of three Independent Non-executive Directors, Mr. Benny LUI, Mr. Oliver Yeung Kam LAI, and Mr. CHAN Francis Ping Kuen who is the Chairman of the Committee. Two meetings were held during the year ended 31 December 2005 and all members of the Audit Committee had attended the meetings.

During the year, the Audit Committee had reviewed the Company's interim report for the six months ended 30 June 2005, and the annual report for the year ended 31 December 2005 and the principal duties of the Audit Committee include:

- monitoring integrity of the Company's financial statements and reports;
- reviewing of financial controls, internal controls, and risk management system; and
- reviewing of the Company's financial and accounting policies and practices.

The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if necessary.

INTERNAL CONTROLS AND RISK MANAGEMENT

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

During the year, the Company had been exposed to market risk for its available-for-sale investments which included investments in unlisted companies, as the Company may not be able to liquidate such investments in time to meet its cashflow requirements. In response to this situation, the Board had maintained a portfolio of marketable listed securities and relatively strong cash position.

The portfolio of listed securities, classified as financial assets at fair value through profit and loss in the balance sheet, may be exposed to market price risk. The Board will continue to monitor the portfolio with an aim to reduce such risk by diversification.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors acknowledge their responsibility for preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Company and of the results and cash flow for that period. The directors ensure that the financial statements for the year ended 31 December 2005 were prepared in accordance with statutory requirements and applicable accounting standards, and will ensure the publication of which will be in a timely manner.