

## CORPORATE GOVERNANCE REPORT

### INTRODUCTION

The Company has complied with all Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31 December 2006 with the exceptions that the non-executive directors of the Company have no set terms of office but retire from office on rotational basis in accordance with the Company's Bye-laws.

### CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code for securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

Following specific enquiry made with the Directors, the Company has confirmed that each of the Directors complied with the required standard set out in the Model Code regarding securities transactions by the Directors.

### BOARD OF DIRECTORS AND BOARD MEETING

The Board of Directors comprises ten directors, of whom eight are non-executive directors. The Chairman, who is a non-executive Director, oversees the nomination and review of Board membership. Directors are selected to achieve a broad range of skills and experience on the Board. The Bye-laws of the Company require the directors to retire by rotation at the Annual General Meeting once every three years.

The Board provides direction to management, and approves the aims, strategies and policies of the Company. Owing to the size of the operations of the Company which is fairly small, the Company does not require formal committees to formulate policies and establish broad guidelines in the areas of investment and business risk. The Chairman, as assisted by the Board, formulates such policies and guidelines.

The Joint Venture has its own separate Board of Directors which is responsible for formulating and establishing policies and guidelines in the areas of remuneration, investment and business risk. The Board of the Joint Venture meets at least twice a year to discuss operational issues, monitor progress and reassess policies and guidelines. The Company is represented by five directors on the Board of Directors of the Joint Venture. The Board of Directors of the Joint Venture has a total of nine members.

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in pages 14 to 15 of the annual report. All Directors has given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Goh Nan Yang is a brother of Goh Nan Kioh and Lim Thian Soo is a brother-in-law of Goh Nan Kioh. Other than these, there is no family relationship among the Directors of the Company.

The roles of chairman and chief executive officer are, respectively, performed by the Chairman, Mr. Ang Guan Seng and the chief executive director, Mr. Goh Nan Yang. The roles of the Chairman and chief executive officer are segregated and assumed by these two separate individuals so that the responsibilities are not concentrated with any one person.

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### BOARD OF DIRECTORS AND BOARD MEETING *(Continued)*

The Company also appointed eight non-executive Directors, namely Mr. Ang Guan Seng, Mr. Goh Nan Kioh, Dr. Lim Thian Soo, Mr. Lim Loi Heng, Ms. Helen Zee, Mr. Lim Chong Puang, Mr. Yeoh Eng Khoon and Mr. Lim Boon Seh who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. Among the non-executive Directors, Mr. Lim Loi Heng, Mr. Lim Chong Puang and Ms. Helen Zee are independent non-executive Directors. All the Directors except for Managing Director are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each board meeting.

The number of Directors' meetings held, including meetings held by circulation of minutes, and the number of those meetings attended by each of the Directors of the Company, while a Director, during the financial year ended 31 December 2006 are as follows:-

<b>Directors</b>	<b>No. Attended</b>	<b>No. Eligible To Attend</b>
Ang Guan Seng	6	7
Goh Nan Kioh	7	7
Goh Nan Yang	7	7
Helen Zee	6	7
Lim Thian Soo (also alternate to Goh Nan Kioh)	7	7
Lim Loi Heng	7	7
Lim Chong Puang	7	7
Sandy Chim Chun Kwan	7	7
Yeoh Eng Khoon	7	7
Lim Boon Seh (Appointed On 29 May 2006)	5	5

### REMUNERATION OF DIRECTORS

The Company has established a Remuneration Committee in 2005. The task of the Remuneration Committee is to make recommendation of remuneration for Directors and Senior Management so as to ensure that the Company attracts and retains the Directors needed to run the Group successfully. Composed of three Directors, the majority of whom are independent non-executive directors, the Remuneration Committee is mandated to meet once a year.

### AUDITORS' REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group is required to pay an aggregate of approximately HK\$479,000 to the external auditors for their audit services.

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### AUDIT COMMITTEE

The members of the Audit Committee are:-

Lim Loi Heng (*Chairman*)

Lim Thian Soo

Lim Chong Puang

The functions of the Audit Committee are to review the accounting policies, internal controls and financial reporting of the Company, its subsidiaries and the Joint Venture on behalf of the Board and make recommendations to the Board. The committee is to meet at least once a year, with a representative from the external auditors.

In performing its functions, the committee reviewed the overall scope of work of the external auditors and discussed with them the results of their examination and their evaluation of the system of internal controls operating within the Company, its subsidiaries and the Joint Venture. The committee has also reviewed the results and financial statements for the financial year ended 31 December 2006 and the announcements of results made by the Company to The Stock Exchange and has recommended that the Board approves the financial statements and announcements.

During the financial year ended 31 December 2006, there were two Audit Committee Meetings held. The details of the attendance of each member are as follows:-

Name	No. Attended	No. Eligible To Attend
Lim Loi Heng	2	2
Lim Thian Soo	2	2
Lim Chong Puang	2	2

### NOMINATION OF DIRECTORS

Prior to the appointment of new directors, the Board is first provided with the qualifications of the relevant candidates for determining the suitability to the Company on the basis of his qualifications, experience and background beforehand for consideration. In view of this, the establishment of a nomination committee has not been effected as the Board carries out this function.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statement of the external auditors of the Company, Horwath Hong Kong CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

## **CORPORATE GOVERNANCE REPORT**

### **INTERNAL CONTROL**

The Company has conducted a review of its system of internal control periodically to ensure it is effective and adequate. The Company convened meetings periodically to discuss financial, operational and risk management control.

### **INVESTOR RELATIONS**

The Company has disclosed all necessary information to the shareholders in compliance with the Listing Rules. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries.