

## CORPORATE GOVERNANCE REPORT

### Corporate Governance

The Group continues to achieve high standards of corporate governance which it believes is crucial to the development of the Group and to safeguard the interests of the Company's shareholders.

To ensure objectivity and impartiality in the management of the Group, majority of the Board comprises non-executive Directors. The Board is responsible for the overall management of the Group's business but the day-to-day management is delegated to the two executive Directors, Ms. Wong Kuen Ling, Karene and Mr. Guy Bindels. Ms. Wong as Chairman heads the Board and also takes charge of the marketing functions of the Group whilst Mr. Bindels as Chief Executive Officer is responsible for the operations of the Group. Their roles are clearly segregated. The term of employment of all non-executive Directors will continue for successive periods of one year. Details of the composition of the Board, relationship among members of the Board, term of appointment of non-executive Directors and biographical information of the Directors are set out in the section "Directors and Service Contracts" in the Report of the Directors above and the "Biography of Directors and Senior Management" below respectively.

The Board has adopted the terms of the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules and the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules (effective prior to 1 January 2005) at the time the Shares were listed on SEHK. None of the Directors is aware of any information that would reasonably indicate that the Company or any of its Directors is not or was not in compliance with the Code and upon specific enquiry of all Directors, the Directors confirmed that they have complied with the Model Code for any part of the period ended 31 December 2005. The Board held 6 meetings during the year with attendance record as follows:—

<b>Attendance at Board Meeting</b>	<b>No. of Meetings Attended (6 Meetings in total)</b>
<b>Executive Directors:</b>	
Wong Kuen Ling, Karene	6
Guy Bindels	6
Kazuhiro Asano (appointed on 17 May 2005)	3
<b>Non-executive Directors:</b>	
Koo Ming Kown	5
Tadao Murakami (resigned on 5 July 2005)	3
Li Shi Yuen, Joseph (resigned on 1 March 2006)	6
<b>Independent Non-executive Directors:</b>	
Chan Tit Hee, Charles	6
Thaddeus Thomas Beczak	5
Lee Wa Lun, Warren* (appointed on 22 March 2004)	6
Roger Simon Pyrke (appointed on 13 February 2006 after approval of the 2005 financial results)	0

\* re-designated as a non-executive Director on 13 February 2006

## CORPORATE GOVERNANCE REPORT

The Company has also taken effective measures to ensure that it is in compliance with the code provisions and as far as reasonable practicable the recommended best practices of the Code on Corporate Governance Practices (the "Corporate Governance Code") which came into effect on 1 January 2005. In the opinion of the Board, the Company has also fully complied with the code provisions and a majority of the recommended best practice of the Corporate Governance Code throughout the accounting year ended 31 December 2005 except that one of the independent non-executive Director, being a director of an adviser to NTE Inc. in relation to the proposed privatisation of the Company which lapsed in December 2005, was no longer be independent. In this respect, whilst the said Director remained on the Board as a non-executive Director, the Company has appointed an additional independent non-executive Director to comply with the requirements under the Listing Rules.

In compliance with the code provisions of the Corporate Governance Code, the Company has set up an Audit Committee and a Remuneration Committee under the Board. The Board considers the determination of the appointment and removal of Directors to be the Board's collective decision and thus does not intend to adopt the recommended best practice of the Corporate Governance Code to set up a Nomination Committee. Details of nomination of Directors are set out in the section "Nomination of Directors" below.

The Directors acknowledged their responsibilities for the preparation of the financial statements of the Group.

### **Audit Committee**

The Audit Committee comprises of three independent non-executive Directors, Mr. Chan Tit Hee, Charles, Mr. Thaddeus Thomas Beczak and Mr. Lee Wa Lun, Warren during 2005. As Mr. Lee is no longer independent for reasons stated above, he has been replaced by Mr. Roger Simon Pyrke, the new independent non-executive Director with effect from 13 February 2006. Mr. Chan is the chairman of the Audit Committee. The Audit Committee has adopted terms of reference which are in line with the Code and the Corporate Governance Code issued by SEHK. The Audit Committee met 5 times during the year with full attendance 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 Group's financial statements for the year ended 31 December 2005 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

### **Remuneration Committee**

The Remuneration Committee comprises three non-executive Directors, Mr. Koo Ming Kown, Mr. Thaddeus Thomas Beczak and Mr. Lee Wa Lun, Warren. In order to comply with the requirements under the Corporate Governance Code that a majority of the members of the Remuneration Committee has to be independent non-executive Directors, Mr. Lee will be replaced by Mr. Pyrke with effect from 13 February 2006. Mr. Koo resigned and Mr. Beczak had been appointed as chairman of the Remuneration Committee on 19 December 2005. The Remuneration Committee has adopted terms of reference which are in line with the Corporate Governance Code. The Remuneration Committee met once at the end of the year with full attendance to review the remuneration policy and remuneration packages of the executive Directors and members of the senior management.

## CORPORATE GOVERNANCE REPORT

### Nomination of Directors

The Board will meet to discuss nomination of directors when circumstances required. Upon receipt of a nomination from the members of the Board, a board meeting will then be convened to consider and discuss the nominated candidate(s) for the directorship. Criteria adopted by the Board in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge as well as the requirements under the Listing Rules.

During the year, Mr. Kazuhiro Asano was appointed as an executive Director of the Company with effect from 17 May 2005 pursuant to the terms of the agreement relating to the sale and purchase of the entire issued share capital of Namtek Software dated 8 April 2005.

### Sarbanes-Oxley Act

To enhance its corporate governance and as a subsidiary of NTE Inc., a New York Stock Exchange listed company, the Company shall comply with the stringent requirements under the Sarbanes-Oxley Act (the "Act"), certification of which will be completed by the end of 2006. The Act focuses mainly on the effectiveness of internal control and essentially requires the management to annually state its responsibilities in establishing and maintaining an adequate internal control structure and procedure for financial reporting; and to conduct an assessment of the effectiveness of a company's internal controls and procedures for financial reporting, followed by an attestation of management's assertions by its external auditors. To this end, the Company has set up a task force which follows the methodology and time schedule of NTE Inc. to ensure that the internal control requirements under the Act can be fully complied with accordingly. Besides, the Company has engaged its external auditors to review its financial statements on a quarterly basis in year 2005.

The Company believes that upon full implementation of the internal control procedures under the Act, the Company's corporate governance and business practices will be even better enhanced.

### Quarterly Review by Auditors

The Company engaged external auditors to review its quarterly results in 2005 prior to publication.

### Fees for Audit and Audit Related Services and Non-audit Services

During the year, the Group engaged DTT to perform audit and audited related services and non-audit services and incurred audit and audit related services fees of approximately US\$157,000 and non-audit service fees of approximately US\$57,000. The audit and audit related services fees included approximately US\$13,000 for reviewing the Group's 2005 interim financial statements and approximately US\$20,000 for reviewing the Group's first and third quarter financial results.