

 corporate governance report**(A) Corporate Governance Practices**

The Directors and management are committed to maintaining high standards of corporate governance, in line with the principles set out in the Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited – “Code on Corporate Governance Practices” (“Appendix 14”).

In the opinion of the Directors, save as disclosed below, the Company has complied with Appendix 14, except for the code provision C2 relating to internal controls (which will be implemented next year), throughout the year under review.

The Company does not fully comply with the code provisions A.4.1 and A.4.2 in Appendix 14. Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election at regular intervals. The non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Articles of Association of the Company (the “Articles”). Under code provision A.4.2, all directors 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. According to the Articles, any director appointed to fill a casual vacancy shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. At each annual general meeting, one-third of the directors for the time being shall retire from office by rotation. In exceptional circumstances, a director may hold office for more than 3 years before retirement.

(B) Directors’ Securities Transactions

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of the Listing Rules of The Stock Exchange of Hong Kong Limited (“Model Code”). All directors have confirmed that they have complied with the Model Code throughout the year under review.

(C) Board Of Directors

The Board currently comprises 11 Directors, of which 6 are executive Directors, 2 are non-executive Directors and 3 are independent non-executive Directors. The members of the Board are as follows:

Executive Directors

Mr. Kwek Leng Beng (Chairman and Managing Director)
Mr. Vincent Yeo Wee Eng (Chief Executive Officer)
Mr. Kwek Leng Joo
Mr. Kwek Leng Peck
Mr. Gan Khai Choon
Mr. Lawrence Yip Wai Lam

Non-executive Directors

Mr. Wong Hong Ren
Hon. Chan Bernard Charnwut

Independent Non-executive Directors

Dr. Lo Ka Shui
Mr. Lee Jackson @ Li Chik Sin
Mr. Teoh Teik Kee

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The biographical details of the Directors and Senior Management are contained in the Directors section of the Directors' Report.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company still considers such Directors to be independent.

The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves the strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of senior management. These functions are either carried out directly by the Board or through committees established by the Board.

The Company conducts regular scheduled Board meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. The attendance of individual Directors at Board and Audit Committee meetings in 2005, as well as the frequency of such meetings, is set out below:

Name of Directors	Board	Audit Committee
Executive Directors		
Mr. Kwek Leng Beng	3(4)	
Mr. Vincent Yeo Wee Eng	4(4)	
Mr. Kwek Leng Joo	3(4)	
Mr. Kwek Leng Peck	3(4)	
Mr. Gan Khai Choon	4(4)	
Mr. Lawrence Yip Wai Lam	3(4)	
Non-executive Directors		
Mr. Wong Hong Ren	2(4)	
Hon. Chan Bernard Charnwut	4(4)	2(2)
Independent Non-executive Directors		
Dr. Lo Ka Shui	4(4)	
Mr. Lee Jackson @ Li Chik Sin	2(4)	2(2)
Mr. Teoh Teik Kee	2(4)	2(2)

The Remuneration Committee held their first meeting in February 2006 to review the remuneration of Directors for 2005. The Nomination Committee will review, amongst other matters, the re-election of Directors who are due for retirement by rotation at the forthcoming Annual General Meeting of the Company.

(D) Chairman And Chief Executive Officer

The Chairman of the Board is Mr. Kwek Leng Beng while the Chief Executive Officer ("CEO") is Mr. Vincent Yeo Wee Eng. There is a clear division of responsibilities between the Chairman and the CEO, in that the Chairman bears primary responsibility for the workings of the Board, by ensuring its effective function, while the CEO bears executive responsibility for the Company's business, the management of the day-to-day operations of the Company.

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(E) Non-executive Directors

The non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Articles.

(F) Remuneration Committee ("RC")

The RC was established in May 2005 and comprises 2 independent non-executive Directors and 1 executive Director. The members of the RC are as follows:

Mr. Teoh Teik Kee	Chairman (Independent Non-executive)
Mr. Lee Jackson @ Li Chik Sin	Member (Independent Non-executive)
Mr. Vincent Yeo Wee Eng	Member (Executive)

The primary objective of the RC is to consider management recommendation, and determine the framework or broad policy for remuneration for the Directors and the senior key executives, including the Chief Executive Officer of the Company. No Director or any of his associates may be involved in any decisions as to his own remuneration.

The duties of the RC also include:

- (a) To review and recommend the criteria for assessing employee performance, which should reflect the Company's business objectives and targets; and
- (b) To consider the annual performance bonus for executive Directors, Senior Management, and the general staff, having regard to their achievements against the performance criteria and by reference to market norms, and make recommendation to the Board.

The Company's remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes bonus and share option grants), taking into account other factors, the individual performance, the performance of the Company and industry practices.

(G) Nomination Committee ("NC")

The NC was established in August 2005 and comprises 3 independent non-executive Directors, 1 non-executive Director and 1 executive Director. The members of the NC are as follows:

Dr. Lo Ka Shui	Chairman (Independent Non-executive)
Mr. Teoh Teik Kee	Member (Independent Non-executive)
Mr. Lee Jackson @ Li Chik Sin	Member (Independent Non-executive)
Hon. Chan Bernard Charnwut	Member (Non-executive)
Mr. Vincent Yeo Wee Eng	Member (Executive)

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The duties of the NC include:

- (a) To review and monitor the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any proposed changes;
- (b) To identify individuals suitably qualified to become Board members and select, or make recommendations to the Board on the selection of, individuals nominated for directorships;
- (c) To assess the independence of Directors, having regard to the requirements under the Listing Rules; and
- (d) To make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular, the Chairman and the CEO.

(H) Auditors' Remuneration

The Group's external auditors are KPMG, Singapore ("KPMG"). During the year under review, the Group has engaged KPMG (including any entity that is under common control, ownership or management with KPMG or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of KPMG nationally or internationally) to provide the following services and their respective fees charged are set out as below:

Type of services	Fees charges	
	2005 HK\$'000	2004 HK\$'000
Audit fee for the Group	707	670
Taxation services	48	47
Others	399	382
Total	1,154	1,099

(I) Audit Committee ("AC")

The Company has an AC which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The AC comprises 2 independent non-executive Directors and 1 non-executive Director of the Company. The members of the AC are as follows:

Mr. Lee Jackson @ Li Chik Sin	Chairman (Independent Non-executive)
Mr. Teoh Teik Kee	Member (Independent Non-executive)
Hon. Chan Bernard Charnwut	Member (Non-executive)

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The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the Company's financial reporting process and material internal controls, including financial, operational, compliance and risk management controls. Other duties within its written terms of reference include:

- (a) To review with management and, where appropriate, with the external auditors of the half-year and annual financial statements before submission to the Board to ensure their completeness, accuracy and fairness;
- (b) To review, on an annual basis, of the scope and results of the audit and the independence and objectivity of the external auditors; and
- (c) To review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group.

In 2005, the AC held 2 meetings in February 2005 and August 2005. In the meeting held in February 2005, the Annual Report and Audited Financial Statements for the year ended 31 December 2004 were reviewed together with the external auditors. The adequacy of internal controls was also discussed in this meeting. In the August 2005 meeting, the Interim Financial Report for the 6 months ended 30 June 2005 was reviewed. The AC concluded that there were no major issues which the AC considered that the Board should be informed after the 2 AC meetings.

During the year, the Terms of Reference for AC were revised to reflect the new requirements set out in Listing Rules.

(J) Financial Reporting

The Directors acknowledge that they are primarily responsible for the preparation of the financial statements which give a true and fair view and that appropriate accounting policies are selected and applied consistently.

To the best knowledge of the Directors, there is no uncertainty relating to events or conditions that may cast significantly doubt upon the Company's ability to continue as a going concern.

(K) Internal Control

During the year under review, internal audit was carried out as when it was considered to be required. The requirements and principles laid out in code provision C2 relating to internal controls will be fully implemented in the financial year of 2006.