

(I) Statement of Compliance

It is the policy of the Company to manage the affairs of the Group in accordance with the appropriate standards for good corporate governance. Summarised below is a statement on how the Company has applied the principles and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2005, save for the code provisions on internal controls, which are to be implemented for accounting periods commencing on or after 1 July 2005 pursuant to the CG Code, and deviations from certain code provisions listed below.

A. Directors

A.1 The Board

Principle

An issuer should be headed by an effective Board which should assume responsibility for leadership and control of the issuer and be collectively responsible for promoting the success of the issuer by directing and supervising the issuer's affairs. Directors should take decisions objectively in the interests of the issuer.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
A.1.1 At least 4 regular physical Board meetings shall be held each year.	No	The Board has overall responsibility for the proper conduct of the Company's business. Regular Board meetings are held on a quarterly basis and ad hoc Board meetings will be held as required.
A.1.2 All Directors shall be given an opportunity to include matters in the agenda for regular Board meetings.	No	Draft notice and agenda for regular Board meetings are provided to all Directors for comments and consideration and inclusion of any matters for deliberation at the meetings.
A.1.3 Notice of at least 14 days should be given of a regular Board meeting. For all other Board meetings, reasonable notice should be given.	No	Formal notice of at least 14 days is given for a regular Board meeting. Reasonable notice will be given for all other Board meetings.
A.1.4 All Directors shall have access to the advice and services of the Company Secretary with a view to ensuring that Board procedures and applicable rules and regulations are followed.	No	All Directors have access to the advice and services of the Company Secretary on Board procedures and corporate governance matters as and when required.
A.1.5 Minutes of Board and Board Committees meetings shall be kept by a duly appointed secretary of the meeting and such minutes shall be open for inspection on reasonable notice by any Director.	No	Minutes of the Board, the Audit Committee and the Share Option Committee meetings are kept by the Company Secretary while minutes of the Remuneration Committee meetings are kept by the Head of the Human Resources Department, Port Klang who is the Secretary of the Remuneration Committee. Such minutes are available for inspection by Directors/Board Committees Members.
A.1.6 Draft and final versions of minutes of Board meetings shall be sent to all Directors for their comments and records within a reasonable time after the Board meeting is held.	No	Draft and final versions of minutes of Board meetings are sent to all Directors for their comments and records within a reasonable time.
A.1.7 There should be a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer's expense.	No	The Board has agreed on a procedure to enable the Directors to seek independent professional advice in appropriate circumstances, at the Company's expense, to assist them to discharge their duties.
A.1.8 If a substantial shareholder or a Director has a conflict of interest in a material matter to be considered by the Board, the matter shall not be dealt with by way of circulation or by a committee but a Board meeting shall be held. Under the Listing Rules, Directors must abstain from voting on any Board resolution in which they or any of their associates have a material interest and shall not be counted in the quorum present at the Board meeting.	No	Material transactions with connected persons will be considered at Board meetings whereat the Directors may consider, if appropriate, granting approval in-principle for the proposed transactions and authorising the final forms thereof be further approved by way of circulation or by a Board committee set up for that purpose. The Company's Bye-laws provide for voting and quorum requirements conforming with this code provision whereby interested Directors are required to abstain from voting and shall not be counted in the quorum.

(I) Statement of Compliance *(continued)*

A. Directors *(continued)*

A.2 Chairman and Chief Executive Officer

Principle

There are two key aspects of the management of every issuer – the management of the Board and the day-to-day management of the issuer's business. There should be a clear division of these responsibilities at the Board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.2.1	Roles of Chairman and Chief Executive Officer shall be separate and shall not be performed by the same individual.	Yes	<p>Currently, Tan Sri Lim Kok Thay is the Chairman, President and Chief Executive Officer of the Company. He has been with the Group since the formation of the Company in 1993 and has considerable cruise industry experience. He provides leadership for the Board in considering and setting the overall strategies and objectives of the Company. Mr. Chong Chee Tut, Executive Director and the Chief Operating Officer is responsible for the day-to-day management of the Company's business with the assistance of the other executive Directors and the Senior Management team. The Board is of the view that it is in the interests of the Company to maintain this arrangement so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is capable to guide discussions and brief the Board in a timely manner on key issues and developments.</p> <p>Given that there is a balanced Board with three experienced Independent Non-executive Directors ("INEDs") representing more than one-third of the Board and an INED acting as the Deputy Chairman, the Board is of the view that there is a strong independent element on the Board to exercise independent judgement and provide sufficient check and balance.</p> <p>The Board will evaluate from time to time the appropriateness of the dual roles of Chairman and Chief Executive Officer performed by the same individual and ensure that the arrangement will continue to be in the interests of the Company and its shareholders as a whole.</p>
A.2.2	The Chairman shall ensure that all Directors are properly briefed on issues arising at Board meetings.	No	All Directors are properly briefed on issues arising at Board meetings.
A.2.3	The Chairman shall ensure that Directors receive adequate information, which must be complete and reliable, in a timely manner.	No	Adequate business documents and information about the Group are provided to all Directors in a timely manner.

A.3 Board composition

Principle

The Board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The Board should ensure that changes to its composition can be managed without undue disruption. The Board should include a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement. Non-executive Directors should be of sufficient calibre and number for their views to carry weight.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.3.1	INEDs shall be expressly identified in all corporate communications that disclose the names of Directors of the issuer.	No	<p>The Board currently comprises seven Directors, four of whom are Executive Directors and three are INEDs, constituting a balanced Board with strong independent element. Please refer to the section headed "Directors and Senior Management Profiles" for the skills and experience of each Director.</p> <p>Composition of the Board, by category of Directors, including names of Executive Directors and INEDs is disclosed in all corporate communications.</p>

(I) Statement of Compliance *(continued)*

A. Directors *(continued)*

A.4 Appointments, re-election and removal

Principle

There should be a formal, considered and transparent procedure for the appointment of new Directors to the Board. There should be plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any Director.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.4.1	Non-executive Directors shall be appointed for a specific term, subject to re-election.	Yes	<p>During the year under review, non-executive Directors were not appointed for a specific term, but subject to rotation for retirement and re-election at annual general meeting ("AGM") in accordance with the Company's Bye-laws.</p> <p>In February 2006, a letter agreement has been entered into between the Company and each of the INEDs whereby his term of office is generally fixed for a term of not more than approximately two years expiring at the conclusion of the AGM of the Company held in the second year following the year of his last re-election by shareholders, subject to the requirements for retirement by rotation at the AGM in accordance with the Company's Bye-laws. For Mr. Tan Boon Seng who will be retiring by rotation at the coming 2006 AGM in accordance with the existing Bye-laws of the Company, his 2-year specific term of office will take effect from the conclusion of the 2006 AGM. Mr. Lim Lay Leng will retire for re-election at the coming 2006 AGM due to the expiry of his 2-year specific term of office at the conclusion of the 2006 AGM.</p>
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. Every Director should be subject to retirement by rotation at least once every three years.	Yes	<p>According to the Bye-laws of the Company:</p> <ul style="list-style-type: none">(i) at each AGM, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third), shall retire from office by rotation save any Director holding office as Chairman or Managing Director; and(ii) Directors appointed to fill a casual vacancy shall hold office only until the next following AGM of the Company and shall be eligible for re-election at the meeting. <p>Subject to the shareholders' approval at the forthcoming 2006 AGM, the Company's Bye-laws will be amended to conform with this CG Code so that every Director (including Directors holding office as Chairman or Managing Director and those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and Directors appointed by the Board to fill casual vacancy shall be subject to re-election by shareholders at the first general meeting after their appointment rather than the next following AGM after their appointment.</p> <p>In compliance with this CG Code, Tan Sri Lim Kok Thay will also retire at the forthcoming 2006 AGM and stand for re-election by the shareholders.</p>

(I) Statement of Compliance *(continued)*

A. Directors *(continued)*

A.5 Responsibilities of Directors

Principle

Every Director is required to keep abreast of his responsibilities as a Director of an issuer and of the conduct, business activities and development of that issuer. Given the essential unitary nature of the Board, Non-executive Directors have the same duties of care and skill and fiduciary duties as Executive Directors.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
A.5.1	Every newly appointed Director shall receive a comprehensive, formal and tailored induction on the first occasion of his appointment and subsequently, such briefing and professional development as is necessary.	No	On appointment, new Directors will be given a comprehensive formal induction. Directors are provided with continuous updates on the latest changes or material development in statutes, the Listing Rules, corporate governance practices etc. and are encouraged to participate in continuous professional development seminars to update their knowledge for discharging Directors' responsibilities.
A.5.2	Functions of non-executive Directors shall include the following: (a) participating in Board meetings to bring an independent judgement; (b) taking the lead where potential conflicts of interest arise; (c) serving on the audit, remuneration, nomination and other governance committees, if invited; and (d) scrutinizing the issuer's performance in achieving agreed corporate goals, and monitoring the reporting of performance.	No	Non-executive Directors of the Company continue to perform these functions.
A.5.3	Every Director shall give sufficient time and attention to the affairs of the issuer.	No	Directors continue to give appropriate time and attention to the affairs of the Company.
A.5.4	Directors must comply with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 when dealings in the securities of the issuer. Written guidelines for relevant employees' dealings in the securities of the issuer, which shall be on no less exacting terms than the Model Code, shall be established. "Relevant Employee" includes any employee of the issuer, a Director or employee of a subsidiary or holding company of the issuer who is likely to be in possession of unpublished price sensitive information in relation to the issuer or its securities.	No	The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the year from 1 January 2005 to 31 December 2005 (both dates inclusive). The Model Code has been extended and has become equally applicable to dealings in the securities of the Company by members of Senior Management as included in the Company's latest Annual Report.

(I) Statement of Compliance *(continued)*

A. Directors *(continued)*

A.6 Supply of and access to information

Principle

Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Director of an issuer.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
A.6.1 In respect of regular Board meetings and so far as practicable in all other cases, Board papers shall be sent in full to all Directors at least 3 days (or such other period as agreed) before a Board or Board Committee meeting.	No	Board papers are sent to all Directors/Board Committees members at least 3 days (or such other period as agreed) before the relevant meeting.
A.6.2 Management shall supply the Board and its committees with adequate information in a timely manner. The Board and each Director shall have separate and independent access to the issuer's Senior Management.	No	The Company continues to supply the Board and its committees with adequate information in a timely manner. There are formal and informal contact between the Board and the Senior Management from time to time at Board meeting and other events.
A.6.3 All Directors are entitled to have access to Board papers and related materials. Where queries are raised by Directors, steps must be taken to respond as promptly and fully as possible.	No	Board papers, minutes and related corporate documentation are made available for inspection by all Directors. All Directors are entitled to have access to Senior Management who will respond to queries raised by the Directors promptly.

B. Remuneration of Directors and Senior Management

B.1 The level and make-up of remuneration and disclosure

Principle

An issuer should disclose information relating to its Directors' remuneration policy and other remuneration related matters. There should be a formal and transparent procedure for setting policy on Executive Directors' remuneration and for fixing the remuneration packages for all Directors. Levels of remuneration should be sufficient to attract and retain the Directors needed to run the company successfully, but companies should avoid paying more than is necessary for this purpose. No Director should be involved in directing his own remuneration.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
B.1.1 Remuneration Committee shall be established with specific written terms of reference. A majority of the members of the Remuneration Committee shall be INEDs.	No	On 24 May 2005, the Board has established a Remuneration Committee with specific written terms of reference. A majority of the members of the Remuneration Committee are INEDs.
B.1.2 Remuneration Committee shall consult the Chairman and/or Chief Executive Officer about their proposals on the remuneration of other executive Directors and have access to professional advice if necessary.	No	The Chairman, President and Chief Executive Officer of the Company is one of the Remuneration Committee members and is involved in formulating proposals on the remuneration of other Executive Directors prior to their due consideration by the Remuneration Committee. The Chairman, President and Chief Executive Officer of the Company is to abstain from voting when his remuneration is considered by the Remuneration Committee.
B.1.3 The terms of reference of the Remuneration Committee shall include, as a minimum, the prescribed specific duties.	No	Terms of reference of the Remuneration Committee contain the specific duties prescribed by the CG Code. Please refer to section (II)(B)(2) of this Report for the principal duties of the Remuneration Committee.
B.1.4 The Remuneration Committee shall make available its terms of reference.	No	Terms of reference of the Remuneration Committee (including its role and functions) are available on the Company's website.
B.1.5 The Remuneration Committee shall be provided with sufficient resources to discharge its duties.	No	The Remuneration Committee is entitled to seek independent professional advice, at the Company's expenses, if it considers necessary in order to perform its duties.

(I) Statement of Compliance *(continued)*

C. Accountability and Audit

C.1 Financial reporting

Principle

The Board should present a balanced, clear and comprehensible assessment of the Company's performance, position and prospect.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
C.1.1	Management shall provide explanation and information to the Board to enable the Board to make an informed assessment of the financial information.	No	Directors are regularly provided with relevant reports and updates on the Company's business and financial information.
C.1.2	The Directors shall acknowledge in this Report their responsibility for preparing the accounts and there shall be a statement by the auditors about their reporting responsibilities in the Auditors' Report on the financial statements.	No	The Directors are responsible for preparing accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flows of the Group for the year then ended. In preparing accounts for the year ended 31 December 2005, the Directors have: <ul style="list-style-type: none"> (i) selected suitable accounting policies and applied them consistently; (ii) made judgements and estimates that are prudent and reasonable; and (iii) prepared accounts on the going concern basis. The Auditors' Report states the auditors' reporting responsibilities.
C.1.3	The Board's responsibility to present a balanced, clear and understandable assessment shall extend to annual and interim reports, other price-sensitive announcements and other disclosures.	No	The Board endeavours to present a balanced, clear and understandable assessment of the Group's position in all corporate communications.

C.2 Internal controls

Principle

The Board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
C.2.1	Directors shall conduct a review of the effectiveness of internal control system of the issuer and its subsidiaries at least annually and report to shareholders that they have done so in the CG Report. The review should cover all material controls, including financial, operational and compliance controls and risk management functions.	N/A	Under the transitional arrangements, code provisions on internal control are to be implemented for accounting periods commencing on or after 1 July 2005. In the case of the Company with a December year end, the code provisions on internal control are effective for accounting period commencing 1 January 2006. The Company would have to first include in its interim report for the 6 months ending 30 June 2006 if there is deviation from this code and considered reasons therefor, and to include in its Corporate Governance Report for the financial year ending 31 December 2006 a statement on the internal controls of the Company. <p>The Management and internal auditors are considering the current procedures and the required enhancement and will submit status report(s) for review by the Audit Committee and the Board of the state of internal controls of the Company before the required disclosure period.</p>

(I) Statement of Compliance *(continued)*

C. Accountability and Audit *(continued)*

C.3 Audit Committee

Principle

The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's Auditors. The Audit Committee established by an issuer pursuant to the Exchange Listing Rules should have clear terms of reference.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
C.3.1 Minutes shall be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of Audit Committee meetings shall be sent to all members of the committee for their comments and records within a reasonable time after the meeting.	No	Minutes of the Audit Committee meetings are kept by the Company Secretary as Secretary of the Audit Committee. Draft and final versions of minutes of Audit Committee meetings are sent to all Audit Committee members for their comments and records within a reasonable time.
C.3.2 A former partner of the issuer's existing auditing firm shall be prohibited from acting as a member of the issuer's Audit Committee for a period of 1 year commencing on the date of his ceasing: (a) to be partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.	No	None of the three Audit Committee members are former partners of the external auditors.
C.3.3 The terms of reference of the Audit Committee shall include at least the prescribed specific duties.	No	Terms of reference of the Audit Committee contain the specific duties prescribed by the CG Code. Please refer to section (I)(D)(2) of this Report for the principal duties of the Audit Committee.
C.3.4 The Audit Committee shall make available its terms of reference.	No	Terms of reference of the Audit Committee (including its role and functions) are available on the Company's website.
C.3.5 Where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer shall include in this Report a statement from the Audit Committee explaining its recommendation and the reason why the Board has taken a different view.	No	The Audit Committee recommended to the Board that, subject to shareholders' approval at the forthcoming AGM, PricewaterhouseCoopers be re-appointed as the external auditors. The Board endorsed the Audit Committee's recommendation on the re-appointment of the external auditors.
C.3.6 The Audit Committee shall be provided with sufficient resources to discharge its duties.	No	The Audit Committee is entitled to seek independent professional advice, at the Company's expenses, if it considers necessary in order to perform its duties.

D. Delegation by the Board

D.1 Management functions

Principle

An issuer should have a formal schedule of matters specifically reserved to the Board for its decision. The Board should give clear directions to management as to the matters that must be approved by the Board before decisions are made on behalf of the issuer.

Summary of Code Provisions	Any deviations?	Governance practices of the Company
D.1.1 When the Board delegates aspects of its management and administration functions to Management, it must also give clear directions as to the powers of management.	No	The Board delegates management and administration functions to Management as it considers appropriate from time to time, with clear directions as to the powers of management including circumstances where Management shall report back and obtain prior approval from the Board.

(I) Statement of Compliance *(continued)*

D. Delegation by the Board *(continued)*

D.1 Management functions *(continued)*

Summary of Code Provisions		Any deviations?	Governance practices of the Company
D.1.2	The issuer shall formalize the functions reserved to the Board and those delegated to Management and review those arrangements on a periodic basis.	No	There is a formal schedule of matters reserved for the Board's decision, including: (i) Overall strategic direction; (ii) Annual operating plan; (iii) Annual capital expenditure plan; (iv) Major acquisitions and disposals; (v) Major capital projects; and (vi) Monitoring of the Group's operating and financial performance.

D.2 Board Committees

Principle

Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
D.2.1	The Board shall prescribe sufficiently clear terms of reference of Board Committees.	No	Clear terms of reference have been adopted for the formal Board Committees of the Company, namely the Audit Committee, the Remuneration Committee and the Share Option Committee.
D.2.2	The terms of reference of Board Committees shall require such committees to report the back to Board on their decisions or recommendations.	No	This term has been included in the terms of reference of Board Committees.

E. Communication with Shareholders

E.1 Effective communication

Principle

The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
E.1.1	A separate resolution on each substantially separate issue shall be proposed by the Chairman of a general meeting.	No	A separate resolution is proposed on each substantially separate issue at a general meeting.
E.1.2	Chairman of the Board shall attend the annual general meeting and arrange for the Chairmen of the Audit, Remuneration and Nomination Committees (as appropriate) or in his absence, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting.	No	The Chairman of the Board and two Audit Committee members had attended the 2005 AGM of the Company.

(I) Statement of Compliance *(continued)*

E. Communication with Shareholders *(continued)*

E.2 Voting by poll

Principle

The issuer should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Exchange Listing Rules and the constitutional documents of the issuer.

Summary of Code Provisions		Any deviations?	Governance practices of the Company
E.2.1	Procedures for and the rights of shareholders to demand a poll shall be disclosed in the issuer's circulars to shareholders.	No	Procedures for and the rights of shareholders to demand a poll have been disclosed in the Company's circulars to shareholders issued during the year under review.
E.2.2	The issuer shall count all proxy votes and, except where a poll is required, the Chairman of a meeting shall indicate to the meeting the level of proxies lodged on each resolution and the balance for and against the resolution.	No	The Company had held one general meeting during the year under review, being the 2005 AGM. Votes cast at the 2005 AGM were properly counted and recorded and poll results for the relevant resolutions were published in newspapers on the business day following the said meeting and posted on the websites of the Stock Exchange and the Company.
E.2.3	The Chairman of a meeting shall at the commencement of the meeting provide an explanation on: (a) the procedures for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and (b) the detailed procedures for conducting a poll and then answer questions from shareholders whenever voting by way of a poll is required.	No	Procedures for demanding and conducting a poll were properly explained during the Company's 2005 AGM proceedings.

(II) Other Information

In addition to the information disclosed above, set out below is other information required to be disclosed pursuant to the rules on Corporate Governance Report contained in Appendix 23 to the Listing Rules.

(A) Board of Directors

- (1) During the year under review, four Board meetings were held and details of the Directors' attendance are set out below:

	Attendance
<i>Executive Directors:</i>	
Tan Sri Lim Kok Thay <i>(Chairman, President and Chief Executive Officer)</i>	4/4
Mr. Chong Chee Tut <i>(Chief Operating Officer)</i>	4/4
Mr. William Ng Ko Seng <i>(Executive Vice President)</i>	4/4
Mr. David Colin Sinclair Veitch <i>(Deputy Chairman, President and Chief Executive Officer of NCL Corporation Ltd.)</i>	4/4
<i>INEDs:</i>	
Mr. Alan Howard Smith, J.P. <i>(Deputy Chairman)</i>	4/4
Mr. Tan Boon Seng	2/4
Mr. Lim Lay Leng	4/4

(II) Other Information *(continued)*

(B) Remuneration of Directors

- (1) During the year under review, one Remuneration Committee meeting was held and details of attendance of the Remuneration Committee members are set out below:

	Attendance
Mr. Alan Howard Smith, J.P. <i>(Chairman of the Remuneration Committee and INED)</i>	1/1
Tan Sri Lim Kok Thay <i>(Chairman, President and Chief Executive Officer)</i>	1/1
Mr. Lim Lay Leng <i>(INED)</i>	1/1

- (2) The principal duties of the Remuneration Committee include the following:
- (a) to review and make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and Senior Management;
 - (b) to review and determine the specific remuneration packages of all Executive Directors and Senior Management and to review and make recommendations to the Board of the remuneration of Non-executive Directors (including INEDs);
 - (c) to review and approve performance-based remuneration;
 - (d) to review and approve the compensation payable to Executive Directors and Senior Management in connection with any loss or termination of their office or appointment;
 - (e) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct;
 - (f) to ensure that no Directors or any of his associates is involved in deciding his own remuneration;
 - (g) when the occasion arises, to advise shareholders on how to vote with respect to any service contracts of Directors that require shareholders' approval under the Listing Rules; and
 - (h) to consider other topics, as may be delegated by the Board.
- (3) During the year 2005, the Remuneration Committee has reviewed and determined the specific remuneration packages (including annual bonus) of certain Executive Directors and certain Senior Management.
- (4) No Director is involved in deciding his own remuneration.

(C) Nomination of Directors

- (1) The Board will review its composition from time to time as appropriate to ensure that the Board has a balance of skills and experience appropriate for the business of the Company and that changes to its composition, if any, can be managed without undue disruption.
- (2) During the financial year under review, there have not been any changes to Board composition.

(II) Other Information *(continued)*

(C) Nomination of Directors *(continued)*

(3) During the year 2005, the Board has:

- (a) recommended Mr. David Colin Sinclair Veitch and Mr. Alan Howard Smith, J.P., who retired by rotation, be re-appointed at the 2005 AGM of the Company pursuant to the Company's Bye-laws. The respective resolutions for re-election of the said retiring Directors were duly approved by the shareholders;
- (b) re-appointed Tan Sri Lim Kok Thay as Chairman of the Company and Mr. Alan Howard Smith, J.P. as Deputy Chairman of the Company, to hold office until the conclusion of the 2006 AGM of the Company pursuant to the Company's Bye-laws;
- (c) appointed Tan Sri Lim Kok Thay, Mr. Alan Howard Smith, J.P. and Mr. Lim Lay Leng as members of the Remuneration Committee to hold office until the conclusion of the 2006 AGM of the Company and appointed Mr. Alan Howard Smith, J.P. as the Chairman of the Remuneration Committee; and
- (d) re-appointed Mr. Alan Howard Smith, J.P., Mr. Tan Boon Seng and Mr. Lim Lay Leng as members of the Audit Committee to hold office until the conclusion of the 2006 AGM of the Company and re-appointed Mr. Alan Howard Smith, J.P. as the Chairman of the Audit Committee.

(D) Audit Committee

(1) During the year under review, four Audit Committee meetings were held and details of attendance of Audit Committee members are set out below:

	Attendance
<i>INEDs:</i>	
Mr. Alan Howard Smith, J.P. <i>(Chairman of the Audit Committee)</i>	4/4
Mr. Tan Boon Seng	2/4
Mr. Lim Lay Leng	4/4

(2) The principal duties of the Audit Committee include the following:

- (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
- (c) to develop and implement policy on the engagement of an external auditor to supply non-audit services;
- (d) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgements contained in them before submission to the Board;
- (e) in regard to (d) above,
 - (i) members of the Committee must liaise with the Company's Board, Senior Management and qualified accountant and discuss problems and reservations arising from the interim and final audits and any matters the auditors may wish to discuss; and
 - (ii) the Committee should consider any significant or unusual items;
- (f) to review the external auditor's management letter, any material queries raised by the auditor to Management in respect of the accounting records, financial accounts or systems of control and Management's response;
- (g) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(II) Other Information *(continued)*

(D) Audit Committee *(continued)*

- (h) to review the Company's financial controls, internal control and risk management systems;
 - (i) to discuss with Management the system of internal control and ensure that Management has discharged its duty to have an effective internal control system;
 - (j) to review the internal audit programme and to review and monitor the effectiveness of the internal audit function;
 - (k) to review the Group's financial and accounting policies and practices;
 - (l) to consider any findings of major investigations of internal control matters and Management's response; and
 - (m) to consider other topics, as defined by the Board.
- (3) During the year 2005, the Audit Committee has, inter alia:
- (a) reviewed the financial reports for the year ended 31 December 2004, for the three months ended 31 March 2005, for the six months ended 30 June 2005 and for the nine months ended 30 September 2005;
 - (b) reviewed the internal and external audit plans;
 - (c) reviewed the internal and external audit reports;
 - (d) reviewed connected transactions and related party transactions as set out in the section headed "Connected Transactions" in the Directors' Report and in note 22 to the consolidated financial statements;
 - (e) considered the appointment of the external auditors including the proposed audit fees; and
 - (f) reported to the Board conclusions of its review and recommendations on the matters set out above.

(E) Auditors' Remuneration

- (1) A remuneration of US\$0.9 million was paid/payable to the Company's external auditors for the provision of audit services in 2005. During the same year, the fees paid/payable to the external auditors for non-audit related activities amounted to US\$1.4 million, comprising tax services fees of US\$0.5 million, regulatory reporting services fees of US\$0.7 million and other miscellaneous items of US\$0.2 million.