

The Company is committed to adopting the standards of corporate governance. The board of directors (the “Board”) of the Company believes that good governance is essential to achieving the Group’s objectives of maximizing shareholders’ value and safeguarding the interests of the shareholders.

In November, 2004, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) promulgated the Code on Corporate Governance Practices (the “Code”), which became effective on 1st January, 2005. The Code provides the code provisions and recommended best practices for corporate governance.

During the financial year ended 31st December, 2005, the Company complied with all requirements set out in the Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), with deviation from Code provision A.4.2 in respect of the rotation of directors. Relevant amendment to the Bye-Laws of the Company to comply with Code provision A.4.2 was approved by shareholders of the Company at the annual general meeting of the Company held in May, 2005.

A. DIRECTORS

A.1 The Board

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company’s affairs. The Board sets strategies for the Company and monitors the performance of the management.

During the financial year ended 31st December, 2005, the Board held four regular meetings at approximately quarterly intervals according to the Code. The attendance of each director is set out as follows:

<u>Name of Director</u>	<u>Number of attendance</u>
Mr. Siu Tit Lung	4/4
Mr. Siu Yuk Lung	4/4
Mr. Mak Koon Chi	4/4
Mr. Wai Lung Shing	4/4
Mr. Fung Wai Hing	4/4
Mr. Chan Chun Sing, Colin	3/4
Mr. Liu Wing Ting, Stephen	4/4
Dr. Lee Tat Yee	4/4
Mr. Lee Joo Hai	4/4

A.2 Chairman and Managing Director

The Company segregates the role of Chairman from the Managing Director. Mr. Siu Tit Lung is the Chairman of the Company and Mr. Siu Yuk Lung is the Managing Director of the Company. They are brothers. The Chairman provides leadership to the Board and is responsible for the overall strategic planning and corporate development, whereas the Managing Director is responsible for policy making and corporate management in order to implement the strategies approved by the Board.

A.3 Board composition

The Board consists of five executive directors, one non-executive director and three independent non-executive directors:

Executive directors

Mr. Siu Tit Lung (*Chairman*)
Mr. Siu Yuk Lung (*Managing Director*)
Mr. Mak Koon Chi
Mr. Wai Lung Shing
Mr. Fung Wai Hing

Non-executive director

Mr. Chan Chun Sing, Colin

Independent non-executive directors

Mr. Liu Wing Ting, Stephen
Dr. Lee Tat Yee
Mr. Lee Joo Hai

The Board has met the recommended best practice under the Code that the number of independent non-executive directors is one third of the Board membership. Two independent non-executive directors possess recognised professional qualifications in accounting. The independent non-executive directors bring independent judgement, knowledge and experience to the Board.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee and the Company consider all of the independent non-executive directors are independent within the definition of the Listing Rules.

A.4 Appointment, re-election and removal

The code provision A.4.2 provides that 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 Bye-Laws of the Company then in effect before 9th May, 2005, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from the office by rotation provided that notwithstanding anything herein, the Chairman and Vice-Chairman of the Board and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. As the Chairman of the Board and the Managing Director of the Company are not subject to retirement by rotation under the Bye-Laws of the Company, this constitutes a deviation from code provision A.4.2 of the Code.

To comply with the code provision A.4.2 of the Code, the relevant amendment to the Bye-Laws of the Company was proposed and approved by shareholders at the annual general meeting of the Company held on 9th May, 2005. Accordingly, the Chairman of the Board and the Managing Director shall also be subject to retirement by rotation as with other directors.

All non-executive directors of the Company are appointed for a specific term, subject to re-election.

A Nomination Committee was established by the Company in 2004. The Nomination Committee comprises the three independent non-executive directors and the non-executive director of the Company. Mr. Lee Joo Hai is the chairman of the Nomination Committee.

The primary function of the Nomination Committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes. The full terms of reference are available on the Company's website: www.irasia.com/listco/hk/lkm.

Three Nomination Committee meetings were held in 2005. The attendance of each member is set out as follows:

<u>Name of Member</u>	<u>Number of attendance</u>
Mr. Lee Joo Hai (<i>Chairman</i>)	3/3
Mr. Chan Chun Sing, Colin	3/3
Mr. Liu Wing Ting, Stephen	3/3
Dr. Lee Tat Yee	3/3

The chairman of the Nomination Committee will report the findings and recommendations of the Nomination Committee to the Board after each meeting. The minutes of all meetings of Nomination Committee are circulated to the Board for information.

For the financial year ended 31st December, 2005, the Nomination Committee has reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board. The Nomination Committee concluded that the Board possesses of a diversity of skills, expertise, experience and qualifications and believed that the Board performs its duties competently. The Nomination Committee has also assessed the independence of all the independent non-executive directors.

A.5 Responsibilities of directors

The directors are continually updated with the regulatory requirements, business activities and development of the Group to facilitate the discharge of their responsibilities.

The independent non-executive directors participate actively in the board meetings. They bring an independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. They will lead where potential conflicts of interests arise in connected transaction. They are also members of Audit Committee, Nomination Committee and Remuneration Committee.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, all directors declared that they have complied with the Model Code throughout the year.

A.6 Supply of and access to information

In respect of regular board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting.

The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Group's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

A Remuneration Committee was established by the Company in 2004. The Remuneration Committee comprises the three independent non-executive directors and the non-executive director of the Company. Mr. Liu Wing Ting, Stephen is the chairman of the Remuneration Committee.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management. The full terms of reference are available on the Company's website: www.irasia.com/listco/hk/lkm.

During the financial year ended 31st December, 2005, the Remuneration Committee held four meetings. The attendance of each member is set out as follows:

Name of Member	Number of attendance
Mr. Liu Wing Ting, Stephen (<i>Chairman</i>)	4/4
Mr. Chan Chun Sing, Colin	4/4
Dr. Lee Tat Yee	4/4
Mr. Lee Joo Hai	4/4

The chairman of the Remuneration Committee will report the findings and recommendations of the Remuneration Committee to the Board after each meeting. The minutes of all meetings of Remuneration Committee are circulated to the Board for information.

For the financial year ended 31st December, 2005, the Remuneration Committee has considered and approved the Group's policy for the remuneration of directors and senior management. The Remuneration Committee has assessed the performance of the executive directors and considered the remuneration package of executive directors by reference to the prevailing packages with companies listed on the main board of the Stock Exchange. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 11 to the financial statements.

The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis.

In order to attract, retain and motivate talented executives/employees to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the executives/employees, a share option scheme was adopted by the Company in 2002. Details of the 2002 share option scheme are set out in note 30 to the financial statements.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the financial statements on a going concern basis.

The responsibility of the external auditors, Messrs. Deloitte Touche Tohmatsu, is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of Company, as a body, in accordance with Section 90 of The Companies Act of Bermuda, and for no other purpose.

The Company has announced its annual and interim results in a timely manner within approximately three months and two months respectively after the end of the relevant periods in order to enhance high level of corporate transparency.

C.2 Internal controls

The Board is responsible for the Group's internal control system and for reviewing its effectiveness. Through the Audit Committee, the Board has reviewed the effectiveness of the system. No material deficiencies have been identified so far. The Board considered the Group's internal control system effective and that there were no significant areas of concern, which might affect the shareholders of the Company.

The Group has an Internal Audit Department. The Internal Audit Department plans its internal audit schedules annually. The internal audit includes comprehensive audits of procedures, practices and internal controls of both operational and financial units of the Group. The internal audit plan is then submitted to the Audit Committee for review and comment. The Internal Audit Department conducts independent reviews of the Group's system of internal control, including operational and financial controls. Reports and findings prepared by the Internal Audit Department are submitted to the Board and the Audit Committee.

C.3 Audit Committee

An Audit Committee was established by the Company in 1998. The Audit Committee comprises the three independent non-executive directors, two of whom possess recognized professional qualifications in accounting and have wide experience in audit and accounting, and the non-executive director of the Company. Mr. Liu Wing Ting, Stephen is the chairman of the Audit Committee.

The primary function of the Audit Committee is to review and supervise the Group's financial reporting process and internal controls. The full terms of reference are available on the Company's website: www.irasia.com/listco/hk/lkm.

Four Audit Committee meetings were held in 2005. The attendance of each member is set out as follows:

<u>Name of Member</u>	<u>Number of attendance</u>
Mr. Liu Wing Ting, Stephen (<i>Chairman</i>)	4/4
Mr. Chan Chun Sing, Colin	4/4
Dr. Lee Tat Yee	4/4
Mr. Lee Joo Hai	4/4

The chairman of the Audit Committee will report the findings and recommendations of the Audit Committee to the Board after each meeting. The minutes of all meetings of Audit Committee are circulated to the Board for information.

A summary of the work performed by the Audit Committee for the financial year ended 31st December, 2005 is set out in "Audit Committee Report" on page 16.

C.4 Fee paid/payable to Group's auditors

For the financial year ended 31st December, 2005, the fee paid/payable to the Group's auditors, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fee paid/payable
	HK\$'000
Audit services	1,967
Non-audit services	
— Taxation services	294
— Interim review	400
— Audit of provident fund	7

D. DELEGATION BY THE BOARD

D.1 Management functions

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions.

The Board delegates the day-to-day operations to general managers and department heads who are responsible for different aspects of the operations of the Group.

D.2 Board committees

The Company has maintained the Audit Committee, the Nomination Committee and the Remuneration Committee throughout the year to oversee particular aspects of the Group's affairs. Each of these committees has specific written terms of reference which deal clearly with their authority and duties. The chairmen of the committees will report the findings and recommendations of the committees to the Board after each meeting. The minutes of all meetings of the committees are circulated to the Board for information.

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

The annual general meeting enables the shareholders of the Company to exchange views with the Board. The chairman of the Board and the chairmen of Audit Committee, Nomination Committee and Remuneration Committee have attended at the annual general meeting to be available to answer the questions of the shareholders of the Company.

Separate resolutions are proposed at the annual general meeting on each substantially separate issue, including the election of individual director.

E.2 Voting by poll

The right to demand a poll was set out in the circular to shareholders of the Company dispatched together with the Annual Report for the year ended 31st December, 2005.

The results of the poll were published in the newspapers and on the Stock Exchange's website as well as the Company's website of www.irasia.com/listco/hk/lkm.