

Corporate Governance Report

The board of directors of the Company (the "Board") is committed to maintaining and ensuring high standards of corporate governance and is continuously reviewing and improving the corporate governance practices and standards of the Group to ensure that business activities and decision making processes are regulated in a proper manner.

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31st December, 2005 with the exception of code provision E.1.2 that the Chairman of the Board was on a business trip and unable to attend the 2005 annual general meeting of the Company held on 27th April, 2005.

THE BOARD OF DIRECTORS

Board Composition

The Board is led by the Chairman and currently comprises four executive directors (one of whom is the Chairman) and three independent non-executive directors. The directors of the Company during the year and up to the date of this Annual Report were:

Executive Directors

Mr Rusli Hendrawan (*Chairman*)
Mr Lee Sheng Kuang, James (*Managing Director*)
Mr Oey Tjie Ho
Mr Tang Chak Lam, Charlie

Independent Non-Executive Directors

Mr Cheung Kwok Ming (*appointed on 27th April, 2005*)
Mr Kwok Lam Kwong, Larry, J.P.
Mr Lau Siu Ki, Kevin
Mr Lam Chi Kuen, Frank (*resigned on 27th April, 2005*)

The biographical details of the directors are set out on pages 18 to 19 of this Annual Report. The Board possesses a balance of skill and experience which are appropriate for the requirements of the business of the Company. The independent non-executive directors of the Company have appropriate professional qualifications and their professional opinions raised in the Board meetings facilitate the maintenance of good corporate governance practices. A balanced composition of executive and non-executive directors also generates a strong independent element on the Board, which can exercise independent judgement effectively and make decision objectively for the best interests of the Company.

The Company does not at present have any officer with the title of "chief executive officer" ("CEO") but instead the duties of a CEO are performed by the Managing Director. In order to have a clear division between the management of the Board and the day-to-day management of the business operation of the Company, the role of the Chairman is separate from that of the Managing Director. The Chairman focuses on overall corporate development and strategic direction of the Group and provides leadership for the Board and oversees the efficient functioning of the Board. The Managing Director is responsible for all day-to-day corporate management matters as well as planning and developing the Group's strategy. Such division of responsibilities helps to reinforce their independence and to ensure a balance of power and authority.

Corporate Governance Report

There is no relationship (including financial, business, family or other material or relevant relationship) among members of the Board and in particular, between the Chairman and the Managing Director. All independent non-executive directors are free from any business or other relationship with the Company. The Company has received from each independent non-executive director a confirmation of his independence. The Board considers that each independent non-executive director is independent in character and judgement and that they all meet the specific independence criteria as required under Rule 3.13 of the Listing Rules. Moreover, all independent non-executive directors are engaged on service contracts for a term of two years, subject to retirement by rotation and re-election in accordance with the provisions of the Bye-laws of the Company.

To keep abreast of the responsibilities as a director of the Company and of the conduct, business activities and development of the Company, a directors' handbook which covers various areas of statutory requirements and business operations has been prepared for directors. The directors' handbook will be updated by the Company Secretary from time to time to reflect any changes.

To assist the directors to discharge their duties to the Company, the Board has also established a written procedure to enable directors to seek independent professional advice at the Company's expenses. No request was made by any director for such independent professional advice in 2005.

The Company has arranged appropriate insurance cover in respect of legal action against its directors and officers and the insurance coverage is reviewed on an annual basis.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors of the Company, all directors have confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the year.

To enhance the corporate governance of the Group as a whole, the Board has established a written guideline on no less exacting terms than the Model Code for employees of the Company or director or employee of the Company's subsidiaries or holding company who are likely to be in possession of unpublished price sensitive information in relation to the Group or securities of the Company. No incident of non-compliance was noted by the Company in 2005.

Nomination of Directors

The Board is empowered under the Company's Bye-laws to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. The selection criteria are mainly based on the professional qualification and experience of the candidate. A newly appointed director must retire and be re-elected at the first general meeting after his appointment. At each annual general meeting, one-fourth of the directors (or, if their number is not a multiple of four, the number nearest to but not less than one-fourth) shall retire from office by rotation. A retiring director shall be eligible for re-election.

Corporate Governance Report

During the year of 2005, a Board meeting was held to propose the appointment of Mr Cheung Kwok Ming to replace Mr Lam Chi Kuen, Frank, the retiring independent non-executive director who did not offer himself for re-election, and such appointment was subsequently approved by the shareholders of the Company in the 2005 annual general meeting.

Board Meeting

Regular Board meetings are held at least four times a year to approve annual and interim results, review the business operation and the internal control system of the Group and the meeting schedule will be fixed at the beginning of each year. Between regular meetings, Board meetings are held to approve major issues. At least 14 days' notice of each regular meeting is given to all directors. Agendas and accompanying Board papers are sent not less than 3 days before the date of Board meetings to ensure that the directors are given sufficient review time. Draft minutes of Board meetings and Board committee meetings are circulated to directors for their review and comment while final version of the said minutes, duly signed, are sent to all members for their records. All said minutes are kept by the Company Secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any director.

During the year ended 31st December, 2005, four regular Board meetings were held and the individual attendance of directors are set out as follows:

Directors	Attended/Eligible to attend
Mr Rusli Hendrawan (<i>Chairman</i>)	3/4
Mr Lee Sheng Kuang, James (<i>Managing Director</i>)	3/4
Mr Oey Tjie Ho	4/4
Mr Tang Chak Lam, Charlie	4/4
Mr Cheung Kwok Ming*	2/2
Mr Kwok Lam Kwong, Larry, <i>J.P.</i>	4/4
Mr Lau Siu Ki, Kevin	4/4
Mr Lam Chi Kuen, Frank#	2/2

* *Mr Cheung Kwok Ming was appointed on 27th April, 2005.*

Mr Lam Chi Kuen, Frank resigned on 27th April, 2005.

Board and Management

To enable all directors to make informed decisions in the Board meetings and to discharge their duties and responsibilities, appropriate, complete and reliable information prepared by the management are provided in a timely manner. To further reinforce independence, the Board and each director can have separate and independent access to the management of the Company if additional information is required.

Corporate Governance Report

In order to have a clear principle in relation to the matters specifically reserved to the Board for decisions, functions between the Board and the management are formalized. The Board has established a written guideline determining which issues require a decision of the Board and those delegated to the management. The guideline is reviewed by the Board on a regular basis and has been posted on the intranet of the Company. Matters reserved to the Board for decision include the making of significant financial and legal commitments, merger and acquisition, material asset acquisition or disposal, the change of share capital, the approval of financial reporting, budgeting, management succession and representation to shareholders. The management is responsible for the day-to-day running of the Group. The management is required to submit reports on the operations to the Board on a regular basis and make recommendations to the Board on the development of major projects or business proposals and their respective implementation. The Board is of the view that such division of responsibilities can enhance the corporate governance of the Company.

Remuneration of Directors

The Board set up the Remuneration Committee in January 2005 with specific written terms of reference which deal clearly with its authority and duties. The terms of reference have been posted on the Company's website. The Remuneration Committee's role is to make recommendations to the Board on the remuneration policy and structure for directors and senior management and to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance, having regard to the interests of shareholders. The principal duties of the Remuneration Committee include determining the specific remuneration packages of all executive directors and senior management as well as reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The members of the Remuneration Committee include:

Mr Kwok Lam Kwong, Larry, *J.P. (Committee Chairman)*

Mr Cheung Kwok Ming *(appointed on 27th April, 2005)*

Mr Lau Siu Ki, Kevin

Mr Tang Chak Lam, Charlie

Mr Lam Chi Kuen, Frank *(resigned on 27th April, 2005)*

Except for Mr Tang Chak Lam, Charlie who is an executive director, all Remuneration Committee members are independent non-executive directors. During the year ended 31st December, 2005, three Remuneration Committee meetings were held and the individual attendance of members are set out as follows:

Members	Attended/Eligible to attend
Mr Kwok Lam Kwong, Larry, <i>J.P.</i>	3/3
Mr Cheung Kwok Ming*	3/3
Mr Lau Siu Ki, Kevin	3/3
Mr Tang Chak Lam, Charlie	3/3
Mr Lam Chi Kuen, Frank [#]	0/0

* *Mr Cheung Kwok Ming was appointed on 27th April, 2005.*

[#] *Mr Lam Chi Kuen, Frank resigned on 27th April, 2005.*

Corporate Governance Report

The Remuneration Committee is accountable to the Board and the following is a summary of its work during the year of 2005:

- (a) approved the remuneration policy for executive directors and senior management;
- (b) reviewed and approved the remuneration packages of executive directors; and
- (c) approved the granting of share options to executive directors.

The main principles of remuneration policy of the Company are:-

- (i) to retain and motivate executive directors and senior management by linking their compensation with performance as measured against corporate objectives;
- (ii) to align executive directors' and senior management's remuneration with shareholders' interests; and
- (iii) to ensure that no director or senior management or any of his associate is involved in deciding his own remuneration.

When fixing the remuneration packages of executive directors, considerations have been given to the level of directors' remuneration of other comparable listed companies in Hong Kong, qualifications and experience of the executive directors and their contributions to the Company. The principal elements of the remuneration packages of executive directors of the Company include salary, director's fee, double pay, discretionary bonus and share option.

The remuneration, comprising director's fee, of independent non-executive directors is subject to recommendation by the Remuneration Committee for shareholders' approval at the annual general meeting. Reimbursement is allowed for out-of pocket expenses incurred (including traveling and hotel expenses) in connection with the performance of their duties.

AUDIT COMMITTEE

The Board set up the Audit Committee in 2000 with specific written terms of reference which deal clearly with its authority and duties. The terms of reference have been posted on the Company's website. The Audit Committee is to review the Group's financial reporting, internal controls and corporate governance issues and make relevant recommendations to the Board.

The members of the Audit Committee include:

Mr Lau Siu Ki, Kevin (*Committee Chairman*)

Mr Cheung Kwok Ming (*appointed on 27th April, 2005*)

Mr Kwok Lam Kwong, Larry, *J.P.*

Mr Lam Chi Kuen, Frank (*resigned on 27th April, 2005*)

Corporate Governance Report

All Audit Committee members are independent non-executive directors. During the year ended 31st December, 2005, five Audit Committee meetings were held and the individual attendance of members are set out as follows:

Members	Attended/Eligible to attend
Mr Lau Siu Ki, Kevin	5/5
Mr Cheung Kwok Ming*	3/3
Mr Kwok Lam Kwong, Larry, J.P.	5/5
Mr Lam Chi Kuen, Frank#	2/2

* Mr Cheung Kwok Ming was appointed on 27th April, 2005.

Mr Lam Chi Kuen, Frank resigned on 27th April, 2005.

In discharging its responsibilities, the Audit Committee had performed the following works during the year of 2005:

- (i) reviewed the effectiveness of the audit process in accordance with the applicable standards;
- (ii) reviewed the draft interim and annual financial statements and the related draft results announcements;
- (iii) reviewed the change in accounting standards and assessment of potential impacts on the Group's financial statements;
- (iv) reviewed the continuing connected transactions and comment on the fairness and reasonableness of the transactions;
- (v) reviewed the Group's internal control system and discussed the relevant issues including financial, operational and compliance controls and risk management functions; and
- (vi) made recommendation on the appointment or reappointment of the external auditors and approved their terms of engagement.

AUDITORS' REMUNERATION

During the year, Messrs PricewaterhouseCoopers, auditors of the Company (which for the purpose includes any entity under common control, ownership or management with the auditors or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) provided the following audit and non-audit services to the Group:

	HK\$'000
Audit services	1,397
Non-audit services	
Taxation services	333
	<hr/>
	1,730
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Corporate Governance Report

RESPONSIBILITY FOR PREPARATION AND REPORTING OF ACCOUNTS

The directors of the Company acknowledge their responsibility for preparing the accounts which were prepared in accordance with statutory requirements and applicable accounting standards. A statement by the auditors about their reporting responsibilities is set out on page 39 of this Annual Report.

INTERNAL CONTROLS

A sound and effective internal control system is important to safeguard the shareholders' investment and the Company's assets. During the year, the Board has reviewed the effectiveness of the internal control system of the Group. The review covers all material controls, including financial, operational and compliance controls and risk management functions of the Group.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

According to the Bye-laws of the Company, shareholders' holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the voting right at general meetings of the Company, can by written requisition to the Board or the Company Secretary of the Company to convene a special general meeting for the transaction of any business specified in such requisition. Any general meeting at which the passing of a special resolution is to be considered shall be called by not less than twenty-one clear days' notice, whilst others may be called by not less than fourteen clear days' notice. To further enhance the minority shareholders' right, all resolutions at any general meeting are decided on poll and such practice has been adopted since 2005. The chairman of any general meetings ensures that the shareholders are informed of the procedure for voting by poll by way of making the disclosure in the circulars to shareholders and the explanation during the general meetings. The chairman of general meetings also ensures compliance with the requirements about voting by poll contained in the Listing Rules and the Bye-laws of the Company.

In order to maintain an on-going dialogue with shareholders, shareholders are encouraged to attend annual general meeting of the Company at which the Chairman of the Board and the chairmen of the Board committees are available to answer questions related to the Group's business.

As a channel of further promoting effective communication, the corporate website is maintained to disseminate the relevant financial and non-financial information on a timely basis.

Shareholders' comments and suggestions as well as any proposals put forward to shareholders' meetings at a reasonable time are welcome and such comments and proposals can be sent in writing to the Company Secretary at the Company's address in Hong Kong or by e-mail to the Company's website. The Board endeavors to answer all invaluable questions from the shareholders.

Corporate Governance Report

In 2005, the Company's Bye-laws were amended to reflect the legislative changes to the Companies Act 1981 of Bermuda and the Securities and Futures Ordinance and to incorporate the changes that are required under the revised Listing Rules. The Company intends to achieve high standards of corporate governance and therefore proposes to amend the Company's Bye-laws further in the forthcoming annual general meeting so as to bring the Bye-laws in line with the requirements of the Code on Corporate Governance Practices and the revised Listing Rules.

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this Annual Report, the public float of the shares of the Company is sufficient.