

CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance of the Company is central to safeguarding the interests of the shareholders and enhancing the performance of the Group. The Board is committed to maintaining and ensuring high standards of corporate governance. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31st December, 2005, except for code provisions A.4.1, A.4.2 and E.2.1. The following sections set out the principles in the Code as they have been applied by the Company, including any deviations therefrom, for the year under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of the Directors of the Company, all the Directors confirmed that they had complied with the required standards as set out in the Code during the year.

BOARD OF DIRECTORS

The existing Board of Directors of the Company include:

Executive Director:	CHEANG Yoon Hoong
Non-Executive Directors:	Tan Sri Dr. KHOO Kay Peng, Chairman KHET Kok Yin TAN Lian Tee
Independent Non-Executive Directors:	WONG Kim Ling OOI Boon Leong @ LAW Weng Leun OH Hong Choon

The principal focus of the Board is on the overall strategic development of the Group. The Board also monitors the financial performance and the internal controls of the Group's business operations.

With a wide range of expertise and a balance of skills, the Non-Executive Directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board Meetings and committee work.

The Independent Non-Executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each Independent Non-Executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each Independent Non-Executive Director an annual confirmation or confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent. The Independent Non-Executive Directors are explicitly identified in all corporate communications. The day-to-day running of the Company is delegated to the management.

To the best knowledge of the Company, there is no financial, business and family relationship among members of the Board and between the Chairman and the Chief Executive Officer (i.e. the Executive Director).

During the year, four Board meetings were held and the individual attendance of each Director is set out below:

<u>Name of Director</u>	<u>Notes</u>	<u>Number of Board Meetings Attended</u>	<u>Attendance Rate</u>
Tan Sri Dr. KHOO Kay Peng		4/4	100%
CHEANG Yoon Hoong		4/4	100%
KHET Kok Yin		3/4	75%
TAN Lian Tee		0/4	0%
WONG Kim Ling		3/4	75%
OOI Boon Leong @ LAW Weng Leun		4/4	100%
OH Hong Choon		4/4	100%
Anthony YAP	1	0/4	0%
CHAN Mok Seng	2	2/4	50%

Notes:

1. Mr Anthony YAP resigned as Alternate Director to Mr KHET Kok Yin on 19th January, 2006.
2. Mr CHAN Mok Seng resigned as Executive Director on 12th September, 2005

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer of the Company are Tan Sri Dr. KHOO Kay Peng and Mr. CHEANG Yoon Hoong respectively. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the Board is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively.

RE-ELECTION OF DIRECTORS

Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing Non-Executive Directors of the Company is appointed for a specific term, but they are, except for the Chairman (who is a Non-Executive Director), subject to re-election at every annual general meeting in accordance with the Articles of Association of the Company.

In order to comply with the code provision A.4.1, special resolutions will be proposed to amend the articles of association of the Company at the forthcoming annual general meeting, so that every Director shall be subject to re-election.

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. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Articles of Association of the Company, at every annual general meeting, 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 to but not exceeding one-third, shall retire from office by rotation, the chairman and managing or joint 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 each year. And any Director appointed by the Board shall retire at the next annual general meeting but shall then be eligible for re-election.

In order to ensure full compliance with the code provision A.4.2, special resolutions will be proposed to amend the articles of association of the Company at the forthcoming annual general meeting, so that 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 shall be subject to retirement by rotation and at least once every three years.

VOTING BY POLL

Under code provision E.2.1, the chairman of a meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies.

In accordance with the Articles of Association of the Company, no provision has been provided to Directors a right to demand a poll in the aforesaid circumstance.

In order to comply with the code provision E.2.1, special resolutions will be proposed to amend the articles of association of the Company at the forthcoming annual general meeting.

REMUNERATION COMMITTEE

The Remuneration Committee was established in August 2005 and the existing members are:

OOI Boon Leong @ LAW Weng Leun – Committee Chairman
KHET Kok Yin
OH Hong Choon

The Company formulated written terms of reference for the Remuneration Committee in accordance with the requirements of the Stock Exchange.

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the executive director and senior management. It takes into consideration of factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management. It also reviews and approves performance-based remuneration and administers and oversees the Group's Long Term Incentive Scheme. No Remuneration Committee Meeting was held during the year ended 31st December, 2005.

NOMINATION OF DIRECTORS

Directors of the Company are responsible for making recommendations to the Board for consideration and approval on nominations, appointment of Directors and Board succession, with a view to appoint to the Board individuals with the relevant experience and capabilities to maintain and improve the competitiveness of the Company. The Board formulates the policy, reviews the size, structure and composition of the Board, and assesses the independence of its Independent Non-Executive Directors in accordance with the criteria prescribed under the Listing Rules and the Code.

AUDITORS' REMUNERATION

The fee in respect of audit and non-audit services provided by the external auditors, Messrs RSM Nelson Wheeler, to the Company for the year ended 31st December, 2005 is set out on page 58 Note 9 to the consolidated financial statements of this annual report.

AUDIT COMMITTEE

The Audit Committee was established in March 1999 and the existing members are:

OOI Boon Leong @ LAW Weng Leun – Committee Chairman
KHET Kok Yin
WONG Kim Ling
OH Hong Choon

The main responsibilities of the Audit Committee are to review the financial statements and the auditors' reports and monitor integrity of the financial statements. Other responsibilities include the appointment of auditors, approval of the auditors' remuneration, discussion of audit procedures and any other matters arising from the above. The Audit Committee is also charged with overseeing the financial reporting system and internal control procedures and their effectiveness.

The Audit Committee held two meetings during the year. The work of the Audit Committee in 2005 included the following:

- review of 2004 annual results, review and discussion of the audit findings with the auditors and review of the draft annual results announcement.
- review and consideration of various accounting issues and new standards and their financial impact;
- consideration of the audit fee for the year 2005; and
- review of 2005 interim results, review and discussion of the audit findings with the auditors, review of the draft management discussion and analysis section of the interim report.

During the year, two Audit Committee meetings were held and the attendance of each member is set out below:

<u>Name of Director</u>	<u>Number of Audit Committee Meetings attended</u>	<u>Attendance rate</u>
KHET Kok Yin	1/2	50%
WONG Kim Ling	1/2	50%
OOI Boon Leong @ LAW Weng Leun	2/2	100%
OH Hong Choon	2/2	100%

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledge their responsibilities of the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Board also ensure the timely publication of the financial statements of the Group.

The statement of the external auditors of the Company, Messrs RSM Nelson Wheeler about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors.

The Board confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern. The Board has conducted a review of the effectiveness of the system of internal control of the issuer and its subsidiaries.