

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance practices to protect shareholders' interests and enhance shareholders' value.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31st December, 2005, the Company has applied the principles and complied with all the code provisions of the Code on Corporate Governance Practices (the "CGP Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for the deviation from code provision A.2.1, which states that the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual.

The Company does not propose to comply with code provision A.2.1 for the time being. The Chairman currently oversees the management and the Group's business. The Board considers that the present management structure has been effective in facilitating the operation and development of the Group for a considerable period of time and no benefit will be derived from changing it. The current structure allows flexibility and enhances the efficiency of decision-making process in response to the constantly changing environment where the market sentiment may vary quite significantly in different areas of the Asia Pacific region.

BOARD OF DIRECTORS

Composition

The Board currently comprises the following members:

Executive Directors

Mr. Lu Wing Chi (*Chairman and Managing Director*)

Mr. Lincoln Lu

Mr. Lambert Lu

Mr. Lu Wing Yuk, Andrew

Mr. Tse Man Bun

Non-executive Director

Mr. Lam Sing Tai

Independent Non-executive Directors ("INEDs")

Mr. Walujo Santoso, Wally

Mr. Leung Hok Lim

Mr. Chung Pui Lam

Messrs. Lu Wing Lin and Lu Yong Lee resigned as executive director and non-executive director of the Company respectively both on 30th November, 2005.

The particulars of the existing directors are set out on page 13 under the heading of "Directors' Biographical Information".

Corporate Governance Report

Role and Function

The directors are accountable to the shareholders for the activities and performance of the Group. The Board has reserved for its decision and consideration the following matters:

- i) adoption and overall oversight of objectives and strategic plans;
- ii) amendment to memorandum of association and bye-laws as well as share capital;
- iii) approval of interim dividends and recommendation of final dividends for shareholders' approval;
- iv) establishment of board committees and delegation of powers of the Board to same;
- v) appointment of board members;
- vi) approval of significant accounting policies and practices;
- vii) oversight of corporate governance and internal controls; and
- viii) other significant matters.

Matters other than the above mentioned have been delegated by the Board to the management and the major ones are execution of business strategies and initiatives adopted by the Board, preparation of annual and interim accounts for the Board's approval before public reporting, implementation of adequate systems of internal control and risk management procedures, and compliance with relevant requirements and rules and regulations.

The Board conducts meetings on a regular basis and on an ad hoc basis that are required for significant and important issues. The Board held four regular Board meetings during the year. The Company Secretary attended all regular Board meetings to advise on corporate governance and statutory compliance when necessary and the Group Financial Controller also attended the Board meetings to advise on accounting, financial and internal control matters. All businesses transacted at the Board meetings are well-documented and the records are maintained properly. The Board members are provided with appropriate and sufficient information in a timely manner to keep abreast of the Group's latest developments.

Of the directors, Mr. Lu Wing Chi is the father of Messrs. Lincoln Lu and Lambert Lu. Other than that, there is no financial, business, family and other material relationship among other members of the Board. Currently, one-third of the Board members are INEDs. The Board members are free to discuss issues properly put to the Board meetings.

The Company has arranged for appropriate liability insurance for the directors for indemnifying their liabilities arising out of corporate activities.

Non-Executive Directors

During the year, the non-executive directors (including the INEDs) agreed in writing to act in such capacity for a period of up to the expiry of the third annual general meeting notwithstanding any provisions of the bye-laws of the Company.

Corporate Governance Report

INEDs

The three INEDs come from diverse business and professional background in the fields of accounting and law, rendering valuable expertise and experience to promote the best interests of the Group and its shareholders as a whole and ensuring that issues are considered in a more objective manner.

The Company has received from each of the INEDs a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers all of the INEDs to be independent.

BOARD COMMITTEES

The Board has established Board Committees, namely Audit Committee, Remuneration Committee and Executive Committee to oversee particular aspects of the Company's affairs and assist in the execution of the Board's responsibilities.

Audit Committee

Composition

The Audit Committee was established in 1999 and its terms of reference were revised during 2005 in accordance with the code provisions of the CGP Code. The Audit Committee currently comprises three members who are INEDs, namely:

Mr. Leung Hok Lim (*Chairman*)

Mr. Walujo Santoso, Wally

Mr. Chung Pui Lam

Role and Function

The primary duties of the Audit Committee are to ensure the objectivity and credibility of financial reporting and the effectiveness of the audit process in accordance with applicable standards as well as to maintain an appropriate relationship with the external auditors of the Company.

During the year ended 31st December, 2005, the Audit Committee met twice with the representatives of the management and the external auditors of the Company to discuss the auditing, financial reporting and internal control matters. During the meetings, the Audit Committee in particular reviewed and discussed about the accounting principles and policies adopted by the Group, the final results and the financial statements for the year ended 31st December, 2004, the interim results and the financial statements for the six months ended 30th June, 2005, letters of management representation made to the auditors and the internal control system in relation to the tendering, management information and budgeting functions.

Corporate Governance Report

Remuneration Committee

Composition

The Company formulated written terms of reference for the Remuneration Committee in accordance with the code provisions of the CGP Code. The Remuneration Committee presently comprises the Chairman of the Company, another executive director and three INEDs. Members of the Remuneration Committee are as follows:–

Mr. Chung Pui Lam (*Chairman*)
Mr. Lu Wing Chi
Mr. Tse Man Bun
Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim

Role and Function

The Remuneration Committee is responsible for, amongst other matters, establishing a formal and transparent procedure for developing remuneration policies and overseeing the remuneration packages for the executive and non-executive directors and ensuring that no director will be involved in deciding his own remuneration. In determining the directors' emoluments, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, qualifications, experience, time commitment and responsibilities of directors and employment conditions elsewhere in the Group. The Remuneration Committee notes that the Company is operating an employee share option scheme with options granted to the Group's employees (including directors of the Company) on a discretionary basis by the Board.

At the 2005 annual general meeting, the shareholders of the Company approved the authorisation of the directors to fix the directors' fees if the aggregate amount did not exceed HK\$1 million per annum. During the year, the Remuneration Committee met once and assessed the performance of the executive directors and reviewed and approved the remuneration of the executive directors and non-executive directors.

Executive Committee

Composition

The Executive Committee was set up in 1990 and is currently comprised of the Chairman of the Company and all other executive directors. The Executive Committee members are as follows:–

Mr. Lu Wing Chi (*Chairman*)
Mr. Lincoln Lu
Mr. Lambert Lu
Mr. Lu Wing Yuk, Andrew
Mr. Tse Man Bun

On 30th November, 2005, Mr. Lu Wing Lin ceased to be a member of the Executive Committee as a result of his resignation as an executive director of the Company.

Corporate Governance Report

Role and Function

The Executive Committee is primarily responsible for supervising and undertaking the day-to-day operations of the Group. It exercises leadership and develops and keeps under review business development initiatives of the Group and monitors their implementation. The Executive Committee meets as and when necessary.

ATTENDANCE RECORD AT MEETINGS

Details of the attendance of individual directors at Board meetings, Audit Committee meetings and Remuneration Committee meetings during the year are set out in the following table:–

Directors	Number of meetings attended/ Number of meetings held		
	Board	Audit Committee	Remuneration Committee
<i>Executive Directors</i>			
Mr. Lu Wing Chi (<i>Chairman</i>)	4/4	–	1/1
Mr. Lincoln Lu	4/4	–	–
Mr. Lambert Lu	4/4	–	–
Mr. Lu Wing Yuk, Andrew	4/4	–	–
Mr. Lu Wing Lin*	0/3	–	–
Mr. Tse Mun Bun	4/4	–	1/1
<i>Non Executive Director</i>			
Mr. Lu Yong Lee*	0/3	–	–
<i>INEDS</i>			
Mr. Walujo Santoso, Wally	2/4	1/2	0/1
Mr. Leung Hok Lim	3/4	2/2	1/1
Mr. Chung Pui Lam	4/4	2/2	1/1
* Resigned as director on 30th November, 2005			

NOMINATION, RETIREMENT AND RE-ELECTION OF DIRECTORS

The Board considers the selection and re-appointment of directors. An individual may be appointed as director based on the recommendations of a director or the management. Potential candidates should have the required skills, knowledge and expertise to add value to the Board and be able to commit the necessary time to their position. All directors' appointments shall be approved by the Board and/or the shareholders.

Code provision A.4.2 of the CGP Code stipulates 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 all directors should be subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, any director appointed by the Board to fill a casual vacancy shall hold office only until the next following annual general meeting and one-third of the directors for the time being shall retire by rotation each year. To align the bye-laws with the code provisions of the CGP Code, the Company will propose to amend the bye-laws at the forthcoming annual general meeting.

Corporate Governance Report

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company.

In response to the specific enquiry made on them, all the directors of the Company confirm that they have complied with the required standard as set out in the Model Code throughout the year ended 31st December, 2005.

DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

The directors acknowledge their responsibilities for preparing the financial statements of the Group. With the assistance of the Accounts and Finance Department which is under the supervision of the Qualified Accountant of the Company, the directors ensure that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate accounting standards. The directors also ensure timely publication of the financial statements of the Group.

AUDITORS' REPORTING RESPONSIBILITY

The statement of Messrs. Deloitte Touche Tohmatsu, the external auditors of the Company, about their reporting responsibility on the financial statements of the Group is set out in the "Auditors' Report" on page 32.

GOING CONCERN

The directors 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 upon the Company's ability to continue as a going concern.

INTERNAL CONTROL

During the year, the Board, has through the management and the Audit Committee, conducted a review of the effectiveness of the Group's system of internal control covering financial, operational and compliance controls and risk management functions to safeguard shareholders' investment and the Group's assets.

AUDITORS' REMUNERATION

Fees payable to Messrs. Deloitte Touche Tohmatsu, the external auditors of the Group, for audit services for the year ended 31st December, 2005 amounted to approximately HK\$4.3 million.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS

The Company has established a number of channels to communicate with shareholders as follows:

- i) printed copies of corporate communication such as annual reports, interim reports and circulars are issued;
- ii) periodic announcements are made through the Stock Exchange and/or published in newspapers;
- iii) corporate information is made available on the Company's website at www.seaholdings.com;
- iv) the annual general meeting and special general meetings provide a forum for shareholders to raise comments and exchange views with the directors and senior management; and
- v) the Company's share registrars serve the shareholders in respect of share registration and related matters.