



## Corporate Governance Report

The Board believes that a high standard of corporate governance is crucial to the development of the Group. In addition to complying with statutory and regulatory standards, the Group is committed to maintain a high standard of corporate governance with emphasis on transparency, accountability and fairness.

The Board is composed of a group of professionals and businessmen with different expertise in skill and experience. In order to ensure independence and objectivity in the management, non-executive Directors represent a majority of the Board.

### BOARD OF DIRECTORS

The board is responsible for establishing the strategic direction and the overall management of the Group's business. Day-to-day operation, particularly, certain manufacturing operational management is however, delegated to the management.

The number of board meeting held during the year ended 31st December, 2005 and the directors' respective attendance record are summarized as follows:-

**Number of meeting attended**  
*(8 meetings in total)*

#### Executive Directors

Budiono Widodo, <i>Chairman</i>	6
Sardjono Widodo, <i>Managing Director</i>	8
Liao Yun Kuang, <i>President</i>	6
Yu Chien Te	2
Peng Chiu Ching (retired on 17th June, 2005)	3

#### Non-executive Directors

Sudjono Halim	6
Kusnadi Pipin	4
Chen Chung I	2

#### Independent non-executive Directors

Marzuki Usman	6
Kusnadi Widjaja	6
Ngai Kwok Chuen	6



## Corporate Governance Report

Regular Board meetings are convened and held by the Company and directors are given adequate notice to attend such regular Board meetings or other Board meetings. Directors are also 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 Directors. Minutes of regular Board meetings, other Board meetings or other committees meetings are recorded in sufficient detail. Draft of these minutes are circulated to all Directors for their comments before they are finalized for records.

Under code provision A.1.3, notice of at least 14 days should be given for a regular Board meeting to give all Directors an opportunity to attend. In relation to this provision, a regular Board meeting was convened by a notice of less than 14 days during the year ended 31st December, 2005. Nevertheless, presence of all Directors was secured for this meeting.

During the period from 22nd June, 2002 to 28th June, 2004, Mr. Ngai Kwok Chuen was a non-executive director of the Company and he was re-designated as an independent non-executive director since 28th June, 2004. The Board considered Mr. Ngai to be independent because he had been only a non-executive director for a short period of time before his re-designation and he possessed the necessary quality to act as an independent non-executive director.

As disclosed in the section of Biographical Details of Directors and Senior Management, Mr. Sardjono Widodo, Managing Director and Mr. Sudjono Halim, a non-executive director are the son and son-in-law of Mr. Budiono Widodo, Chairman respectively.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1, the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual.

In addition to his duties as the Chairman, Mr. Budiono Widodo is also responsible for the strategic planning and overseeing certain aspects of the Group's operation. Such duties overlap with those of Mr. Sardjono Widodo, the Chief Executive Officer, who is his son. Nevertheless, the Board considers that this will not impair the balance of power and authority of the Board and management of the Group. The balance of power and authority is ensured by the operation of the Board, which comprises ten directors. All of them are experienced businessmen or professionals and they meet regularly to review the Group's performance. For decisions which may have significant effect on the Group's business, all directors' presence is secured as far as possible. The Board therefore has confidence in Mr. Budiono Widodo and trusts that his rich experience in plywood industry will contribute significantly to the Group's business.

### NON-EXECUTIVE DIRECTORS

All the non-executive directors of the Company are appointed for a specific term of one year but they are also subject to retirement by rotation in accordance with the Company's Bye-laws.



## Corporate Governance Report

### CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the terms as contained in the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 of the Listing Rules) as the Company's code of conduct for securities transactions and dealings ("Model Code"). All existing directors of the Company, upon specific enquiry, have confirmed that they have complied with the Model Code during the year ended 31st December, 2005.

### REMUNERATION OF DIRECTORS

The Remuneration Committee is duly constituted on 29th June, 2005 and comprises an executive director, Mr. Liao Yun Kuang (chairman) and two independent non-executive directors, Mr. Marzuki Usman and Mr. Kusnadi Widjaja.

The primary role of the Remuneration Committee under its terms of reference is to support and advise the Board in fulfilling the Board's responsibility to the shareholders of the Company to (a) establish remuneration policies and structure of directors and senior management; (b) review and approve performance-based remuneration by reference to the goals, objectives and performance of the Group; and (c) to determine the specific remuneration packages and or compensation for all executive Directors and senior management; and (d) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

During the year ended 31st December, 2005, the Remuneration Committee met once with full attendance to review and consider the terms under the service contracts signed between the Company and each of the executive Directors and remuneration package of the non-executive Directors of the Company.

### NOMINATION OF DIRECTORS

The Board will meet to discuss nomination of directors when circumstances required. Upon receipt of a nomination from the members of the Board, a Board meeting will then be convened to consider and discuss the nomination. Academic and professional qualifications, business experience, expertise and knowledge as well as other requirements under the Listing Rules will be assessed to determine if the nomination is suitable.

During the year ended 31st December, 2005, no director was nominated to the Board and no new director was appointed.

### AUDITORS' REMUNERATION

During the year ended 31st December, 2005, the Group engaged PricewaterhouseCoopers to perform audit and audit related services at a fee of approximately US\$237,000, which include the service fee of approximately US\$12,000 for an engagement to apply certain agreed-upon procedures to the Group's 2005 interim financial statements.



## Corporate Governance Report

### AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, Mr. Marzuki Usman (chairman), Mr. Kusnadi Widjaja and Mr. Ngai Kwok Chuen.

The number of committee meetings held during the year ended 31st December, 2005 and the committee members' respective attendance record are summarized as follows:–

	<b>Number of meeting attended</b> (3 meetings in total)
Marzuki Usman ( <i>Chairman</i> )	2
Kusnadi Widjaja	3
Ngai Kwok Chuen	3

The Audit Committee has adopted terms of reference which are in line with the Code and the Corporate Governance Code issued by the Stock Exchange.

The Audit Committee met to review the interim financial information for the six months ended 30th June, 2005 and the annual financial statements for the year ended 31st December, 2005. The Audit Committee also met once at end of the year to review and adopt an internal audit charter, which establishes the framework and defines the functions, authorities and responsibilities of the internal audit of the Company. The internal audit charter was subsequently submitted to and finally adopted by the Board.

### COMMUNICATION WITH SHAREHOLDERS

The Board maintains an on-going dialogue with shareholders through annual general meetings or special general meetings and shareholders are encouraged to participate. Under code provision E.1.2, the Chairman of the Board should attend the annual general meeting.

Due to certain urgent matters to be attended by Mr. Budiono Widodo, Chairman of the Board, he did not attend the Company's 2005 annual general meeting. In order to remedy the situation and ensure the smooth communications between the Board and shareholders, Mr. Sardjono Widodo, Managing Director and Mr. Liao Yun Kuang, President of the Company, attended the Company's 2005 annual general meeting to answer questions raised by shareholders.