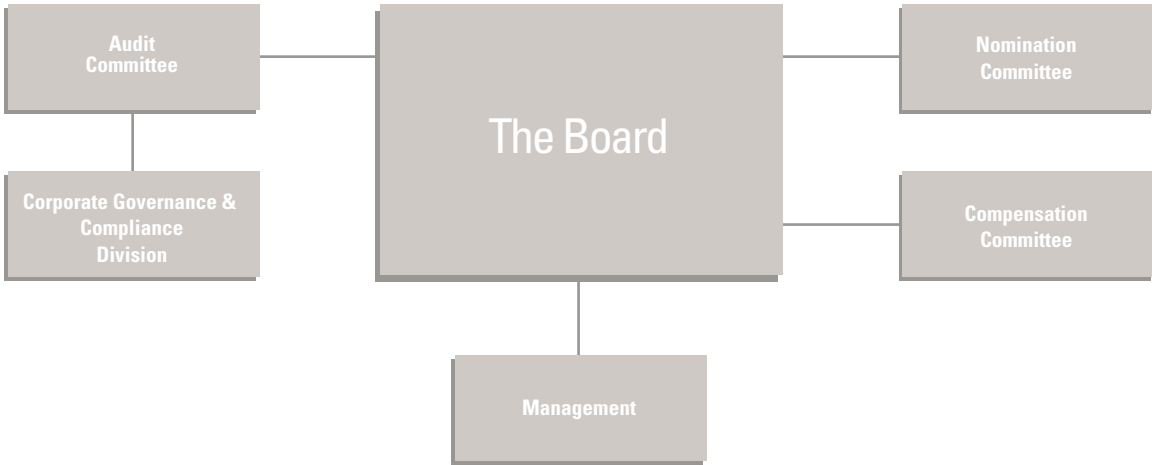


Corporate Governance Report

The Board of Directors and Management are committed to principles of good corporate governance consistent with prudent enhancement and management of shareholder value. These principles emphasize transparency, accountability and independence. Set out below are those principles of corporate governance as adopted by the Company.



The Board

The Board is composed of the Group Non-executive Chairman, the Group Executive Managing Director, two Executive Directors and eight Non-executive Directors (of whom four are independent), whose biographical details and relevant relationships among them are set out in the Directors and Senior Management section on pages 34 to 39.

In order to reinforce their respective independence, accountability and responsibility, the role of the Group Chairman is separate from that of the Group Managing Director with their respective responsibilities endorsed by the Board in writing. The Group Chairman is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures, whilst the Group Managing Director, supported by the Executive Directors and senior management, is responsible for managing the Group’s business, including the implementation of major strategies and initiatives adopted by the Board.

The Non-executive Directors, with diversified industry expertise are not involved in the day-to-day management of the Group, serve the important function of advising the management on strategy development, and ensure that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole. The Board has received from each Independent Non-executive Director an annual written confirmation of their independence in accordance with the Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The Board meets regularly throughout the year to discuss the overall corporate strategic direction and objectives, operational and financial performance (including annual budget, annual and interim results), recommendations on Directors' appointment or reappointment, approval of major capital transactions and other significant matters of the Group as well as major investment opportunities. Board meetings are scheduled one year in advance to facilitate maximum attendance of Directors. All Directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations. Written procedures are also in place for Directors to seek independent professional advice in performing their Directors' duties at the Company's expense. No request was made by any Director for such independent professional advice in 2005.

The Board has established three committees with specific responsibilities as described in the Board Committees below.

The Board makes decisions on major operational and financial matters as well as investments. The general management and day-to-day decisions and matters (including preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the Board, monitoring of operating budgets, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations) are delegated to the management team.

Our Group Chief Compliance Officer also attends all Board and Committee meetings to give recommendations on corporate governance, risk management, statutory compliance, mergers and acquisitions, accounting and financial matters. The Board held four regular meetings and a special meeting in 2005 and the average attendance rate was 98%.

At the Annual General Meeting held on 30 May 2005, a special resolution was passed to amend the Bye-laws of the Company so that every Director (including the Chairman of the Board and Group Managing Director of the Company) is subject to retirement by rotation at least once every three years. All Directors are appointed for a set term of three years and will continue thereafter subject at all times to termination by not less than three months' prior notice in writing by either parties.

The Company has arranged for appropriate liability insurance since 2004 to indemnify its Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Corporate Governance Report

The attendance rates of individual members at Board and Committee meetings in 2005 are detailed in the following table:

Attendance of Board and Committee Members for Year 2005

Directors	No. of meetings attended/held			
	Board	Audit Committee	Compensation Committee	Nomination Committee
Non-executive Directors				
Dr. Victor FUNG Kwok King <i>(Group Chairman and Chairman of Compensation Committee)</i>	5/5	–	1/1	–
Dr. William FUNG Kwok Lun	5/5	–	–	–
Mr. Jeremy Paul Egerton HOBBS	4/5	–	–	1/1
Mr. LAU Butt Farn	5/5	3/3	–	–
Mr. Derrick LEE Meow Chan	5/5	–	–	–
Independent Non-executive Directors				
Mr. John Estmond STRICKLAND <i>(Chairman of Audit Committee)</i>	5/5	3/3	–	–
Mr. William Winship FLANZ <i>(Chairman of Nomination Committee)</i>	5/5	–	1/1	1/1
Dr. FU Yu Ning	5/5	2/3	–	1/1
Prof. LEE Hau Leung	5/5	3/3	1/1	–
Executive Directors				
Mr. Benedict CHANG Yew Teck <i>(Group Managing Director)</i>	5/5	–	–	–
Mr. Joseph Chua PHI	5/5	–	–	–
Mr. Rajesh Vardichand RANAVAT <i>(Chief Financial Officer)</i>	5/5	–	–	–
Average attendance rate	98%	92%	100%	100%
Dates of Meeting	22/2/2005 7/4/2005 30/5/2005 18/8/2005 16/12/2005	31/3/2005 23/6/2005 17/8/2005	30/5/2005	16/12/2005

Board Committees

The Board has established the following committees (all chaired by Non-executive Directors) with defined written terms of reference (available to shareholders upon request), which are of no less exacting terms than those set out in the Code on Corporate Governance Practices of the Listing Rules: the Audit Committee, Compensation Committee and Nomination Committee. Minutes of all committees meetings are circulated to all Board members. To further reinforce independence, all committees include a majority of Independent Non-executive Directors since 2004.

Audit Committee

The Audit Committee was established in November 2004 to review the Group's financial reporting, internal controls and corporate governance issues and to make relevant recommendations to the Board. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. John Estmond STRICKLAND (Chairman of the Committee), Dr. FU Yu Ning and Prof. LEE Hau Leung, and a Non-executive Director, Mr. LAU Butt Farn. All committee members possess appropriate industry and financial expertise to advise on the above matters.

The Audit Committee met three times in 2005 (with an average attendance rate of 92%) to review with senior management and the Company's internal and external auditors, the significant internal and external audit findings, the audit plans for the internal and external auditors, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance, and to discuss auditing, internal controls, risk management and financial reporting matters (including the interim financial report and annual financial statements for 2005 before recommending them to the Board for approval).

External Auditors' independence

The Audit Committee also reviews annually the nature of the service fees and independence of the external auditors. The external audit engagement partner is subject to periodical rotation, and the ratio of annual fees for audit services and non-audit services (including review of interim financial report and tax services for 2005) have been scrutinized by the Audit Committee. To further enhance Auditors' independence, fees for non-audit services other than tax advice require prior approval of the Audit Committee. Prior to the commencement of the audit of 2005 financial statements of the Company, the Audit Committee had received written confirmation from the external auditors on their independence as required under the Professional Ethics Statement 1.203A "Independence for Assurance Engagements" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee is satisfied with the review of audit fees and scope, effectiveness of the audit process, independence and objectivity of the external auditors, PricewaterhouseCoopers, and has recommended to the Board their reappointment as the Company's external auditors for the year ending 31 December 2006 at the forthcoming Annual General Meeting.

Corporate Governance Report

Compensation Committee

The Compensation Committee was established in November 2004, comprising the Group Non-executive Chairman, Dr. Victor FUNG Kwok King (being the Chairman of the Committee), Mr. William Winship FLANZ and Prof. LEE Hau Leung (being Independent Non-executive Directors). The written terms of reference of the Compensation Committee cover the review of the Group's remuneration policy and the approving of the remuneration policy for all Executive Directors and senior management, including the allocation of share options to employees under the Company's Employee Share Option Scheme. It annually reviews the existing remuneration policy. The Compensation Committee met once in 2005 (attendance rate: 100%) to review and approve the Directors' and senior executives' remuneration for 2005.

Remuneration for Executive Directors

Remuneration of Executive Directors includes basic salary, other allowance and bonus based on performance together with share options that are designed to align Directors' interest to maximizing the Company's long term shareholder value. No Executive Director is allowed to approve his own remuneration.

Remuneration for Non-executive Directors

Remuneration for Non-executive Directors comprises Directors' fees that are subject to assessment and recommendation by the Compensation Committee for shareholders' approval at the Annual General Meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at Company meetings.

Details of Directors' remuneration of the Company are set out in the note 21(a) to the financial statements.

Nomination Committee

The Nomination Committee was established in November 2004, comprising the Non-executive Directors, Mr. William Winship FLANZ (being the Chairman of the Committee), Dr. FU Yu Ning and Mr. Jeremy Paul Egerton HOBBS (being Non-executive Director). The written terms of reference of the Nomination Committee cover the recommendations to the Board on the appointment of Directors, evaluation of board composition and the management of board succession with reference to certain guidelines as endorsed by the Committee. These guidelines include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and time commitments of members. The Nomination Committee carries out the process of selecting and recommending candidates for Directorship including the consideration of referrals and engagement of external recruitment professionals when necessary. There was no nomination of Directors to fill board vacancies in 2005. The Nomination Committee met once in 2005 (with an attendance rate of 100%) to review and recommend the reappointment of retiring Directors for shareholders' approval at the Annual General Meeting.

Code of Conduct and Business Ethics

Whistle blowing policy, guidelines on business conduct and leaflet of the Group's business ethics policy are sent to all staff.

Directors' Securities Transactions

The Group has adopted procedures governing Directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Specific enquiries have been made to all Directors to confirm compliance with the Model Code. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code. No incident of non-compliance was noted by the Company in 2005.

Directors' and Senior Management Interest

Details of Directors' interests in the shares of the Company are set out in the Report of the Directors section on pages 58 to 61. The shares held by each member of senior management are less than 0.1% of the issued share capital of the Company for the year ended 31 December 2005.

Directors' and Auditors' responsibilities for Financial Statements

The Directors' responsibilities for the financial statements and the responsibilities of the external auditors to the shareholders are set out on page 66.

Internal Control and Risk Management

The Board recognizes the importance of internal controls to safeguard shareholders' interests and investments, Company's assets and managing business risks. The Board assumes the overall responsibility for reviewing the adequacy and integrity of the Group's system of internal controls and risk management through the Audit Committee.

The Board has delegated to executive management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls, and risk management procedures. Qualified personnel throughout the Group maintain and monitor these systems of control on an ongoing basis

The Group's Internal Audit team within the Corporate Governance and Compliance Division, under the supervision of our Group Chief Compliance Officer, independently reviews these controls and evaluates their adequacy, effectiveness and compliance, and reports regularly to the Audit Committee. The Audit Committee approved a 3-year Audit Plan that is linked to the Group's 3-year Strategic Plan. The Audit Plan is business risk driven and covers the Group's significant operations over a three-year cycle period. The scope of the audit review covers all material controls including financial, operational and compliance controls, and risk management procedures. Regular internal audit reports including management's specific actions and agreed implementation dates to address internal controls and risk management matters are sent to the Group Managing Director, Chief Financial Officer, and the relevant management. The Group Chief Compliance Officer reports all the major findings at the Audit Committee Meetings. Follow up on all recommendations is also performed on a periodic basis to ensure all agreed recommendations have been satisfactorily implemented in a timely manner.

Corporate Governance Report

Based on the assessments made by senior management, the Group's Internal Audit team and the external auditors in 2005, and up to the date of the approval of this report; the Audit Committee is satisfied that:

- the internal controls and accounting systems of the Group have been in place and function effectively and are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorisation and the financial statements are reliable for publication.
- there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

Compliance with the Code on Corporate Governance Practices of the Listing Rules


The Hong Kong Stock Exchange has promulgated a new Code on Corporate Governance Practices (the "Code"), which came into effect in January 2005, and replaced the "Code of Best Practices" as set out in Appendix 14 to the Listing Rules. The Company has put in place corporate governance practices to meet the provisions as set out in the Code.

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the Code as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2005.

Investor Relations and Communication

The Company continues to pursue a proactive policy of promoting investor relations and communications by conducting analysts' briefings and road shows after the interim and final results announcement, participating in investors' conferences and making corporate presentations during the conferences, arranging company visits to the Company and maintaining regular meetings with institutional shareholders and analysts. Since 2005, webcasts of results presentations at press conferences have also been made available at our corporate website (www.idsgroup.com).

All shareholders receive proper notice of the Annual General Meeting at which Directors and Committee Chairmen or members are available to answer questions on the business. The results of the voting by poll on all the resolutions at the Annual General Meeting are published in the newspapers as well as on the Company's website. As a channel to further promote effective communication, the Company maintains a website (www.idsgroup.com) to disseminate the Company's announcements and presentations and shareholder information and other relevant financial and non-financial information electronically on a timely basis.



Except for the amendments made to the Company's bye-laws on retirement by rotation of every Director once every three years, additional provision on the demanding of a poll and disclosure of voting figures on a poll, the Board confirmed that there were no changes in 2005 to the Company's Bye-laws affecting Company's reporting practices. Details of the key calendar events for shareholders' attention and share information including market capitalisation as of 31 December 2005 are set out in Information for Investors section on page 51.

Shareholders' Rights

Under the Company's Bye-laws, in addition to regular Board meetings, Directors of a company, on the requisition of shareholders of the Company holding not less than 10% of the paid-up capital of the Company, can convene a special general meeting to address specific issues of the Company upon the passing of a special resolution by at least 21 days' written notice deposited to the registered office of the Company. The same procedure also applies to any proposal to be tabled at shareholders' meetings for adoption. To further enhance minority shareholders' rights, the Company has since 2005 adopted the policy of voting by poll for all resolutions put forward at Annual General Meeting and Special General Meeting.

Specific enquiries by shareholders requiring the Board's attention can be sent in writing to our Group Company Secretary at the Company's business address in Hong Kong. Other general enquiries can be directed to the Company through our Corporate Affairs Manager, whose contact information is detailed on page 51.

Corporate Communications

In 2005, the Group held monthly Executive Group Meetings for senior executives to formulate company-wide policies and practices, and to report and discuss significant issues affecting the Group.

As part of the Group's entrepreneurial corporate culture and business policy, semi-annual Leadership Council Meetings are held to review business performance and strategic issues with active participation of the Group Chairman, the Group Managing Director, executive Directors and heads of all business units across the region.

The Group also maintains IDSlink, our intranet, to publish messages from the Group Managing Director to update staff on the latest news about the Group

Corporate Governance Report

Human Resources

The Group is guided by the underlying principles of its corporate Values and adopts an equal opportunity policy without any form of discrimination on the grounds of race, marital status, sex, age or disability in connection with all human resource matters. This covers selection and recruitment practices, training and development, appraisal and promotion, compensation and benefits, dismissal, and lastly, retirement.

The Group is fully committed to investing in the growth and development of its people, especially in their Leadership skills. The Group's human resource development initiatives are designed to nurture staff to their fullest potential to ensure that the Group continues to remain ahead, even in the most challenging business environment. The Group also has a policy of sponsoring staff to take on job-related training courses and self-improvement programmes.

To instill a high work performance culture across the Group, the Group's remuneration philosophy is to provide employees with a consistent, fair and transparent package, where the total cash remuneration is competitive in the market. Both the short and long-term incentive plans which have been put in place, ensure that the staff understand that a profit, or a return on all funds invested in the business, must be achieved. Such incentives drive the behaviours necessary to help achieve the Group's 3-year strategic plans.

Complementing the thrust on business performance are the twin areas of Corporate Conduct and Ethics that the Group treasures and fully embraces. All staff are required to be committed to continuously uphold the Code of Conduct and Ethics guidelines.