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corporate
governance report

Corporate Governance Report

(A) CORPORATE GOVERNANCE PRACTICES

The Directors and management are committed to maintaining high standards of corporate governance, in line with the principles set out in the Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited - "Code on Corporate Governance Practices" ("Appendix 14").

In the opinion of the Directors, save as disclosed below, the Company has complied with Appendix 14 throughout the year under review.

As disclosed in 2005 Annual Report, the Company does not fully comply with the code provisions A.4.1 and A.4.2 in Appendix 14. Amendments to the Articles of Association of the Company (the "Amendments") have been made to reflect the requirements under the code provision A.4.2 on the retirement of all directors by rotation at least once every three years. The Amendments were approved at the annual general meeting held on 20 April 2006 ("2006 AGM"). Although the current non-executive directors are not appointed for a specific term, they are subject to retirement by rotation and re-election at annual general meeting at least once every three years. Further, all non-executive directors will be retired at the forthcoming annual general meeting and offer themselves for re-election for a specific term of not more than three years. Under the code provision E.1.2, the chairman of the board should attend the annual general meeting. However, in the 2006 AGM, our chairman was unable to attend the meeting as he had to attend to an urgent matter. He appointed Mr. Kwek Leng Peck to chair the meeting on his behalf. Questions raised by shareholders in the 2006 AGM were answered to the full satisfaction of shareholders by the chairman of the meeting together with 2 executive directors.

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules of The Stock Exchange of Hong Kong Limited ("Model Code"). All directors have confirmed that they have complied with the Model Code throughout the year under review.

(C) BOARD OF DIRECTORS

The Board currently comprises 11 Directors, of which 6 are executive Directors, 2 are non-executive Directors and 3 are independent non-executive Directors. The members of the Board are as follows:

Executive Directors

Mr. Kwek Leng Beng (Chairman and Managing Director)
 Mr. Vincent Yeo Wee Eng (Chief Executive Officer)
 Mr. Kwek Leng Joo
 Mr. Kwek Leng Peck
 Mr. Gan Khai Choon
 Mr. Lawrence Yip Wai Lam

Non-executive Directors

Mr. Wong Hong Ren
 Hon. Chan Bernard Charnwut

Independent Non-executive Directors

Dr. Lo Ka Shui
 Mr. Lee Jackson @ Li Chik Sin
 Mr. Teoh Teik Kee

The biographical details of the Directors and Senior Management are contained in the Directors section of the Directors' Report.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company still considers such Directors to be independent.

The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's business and affairs. Apart from its statutory responsibilities, the Board also approves the strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of senior management. These functions are either carried out directly by the Board or through committees established by the Board.

A "***Schedule of Matters Reserved for Decision by Board***" (the "Schedule") has been adopted by the Company. The Board shall review the items in the Schedule on a periodic basis to ensure that they remain appropriate to the needs of the Group. The Directors, individually or as a group, are entitled to take independent professional advice, at the expense of the Company, in furtherance of their duties and in the event that circumstances warrant it. A "***Guidelines for Seeking Independent Professional Advice***" has been adopted by the Board.

The Company conducts regular scheduled Board meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. The attendance of individual Directors at Board and Audit Committee meetings in 2006, as well as the frequency of such meetings, is set out below:

		Audit	Remuneration
Name of Directors	Board	Committee	Committee
<i>Executive Directors</i>			
Mr. Kwek Leng Beng	3(4)		
Mr. Vincent Yeo Wee Eng	4(4)		1(1)
Mr. Kwek Leng Joo	3(4)		
Mr. Kwek Leng Peck	2(4)		
Mr. Gan Khai Choon	4(4)		
Mr. Lawrence Yip Wai Lam	3(4)		
<i>Non-executive Directors</i>			
Mr. Wong Hong Ren	1(4)		
Hon. Chan Bernard Charnwut	4(4)	2(2)	
<i>Independent Non-executive Directors</i>			
Dr. Lo Ka Shui	4(4)		
Mr. Lee Jackson @ Li Chik Sin	4(4)	2(2)	1(1)
Mr. Teoh Teik Kee	4(4)	2(2)	1(1)

The Remuneration Committee held their first meeting in February 2006 to review the remuneration of Directors for 2005. The Nomination Committee did not convene any meeting in 2006 as there was no appointment of new director in 2006. Meeting will be convened in due course.

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(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board is Mr. Kwek Leng Beng while the Chief Executive Officer (“CEO”) is Mr. Vincent Yeo Wee Eng. There is a clear division of responsibilities between the Chairman and the CEO, in that the Chairman bears primary responsibility for the workings of the Board, by ensuring its effective function, while the CEO bears executive responsibility for the Company’s business, the management of the day-to-day operations of the Company.

(E) NON-EXECUTIVE DIRECTORS

The non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Articles. However, all non-executive Directors will be retired at the forthcoming annual general meeting and offer themselves for re-election for a specific term of not more than three years.

(F) REMUNERATION COMMITTEE (“RC”)

The RC was established in May 2005 and comprises 2 independent non-executive Directors and 1 executive Director. The members of the RC are as follows:

Mr. Teoh Teik Kee	Chairman (Independent Non-executive)
Mr. Lee Jackson @ Li Chik Sin	Member (Independent Non-executive)
Mr. Vincent Yeo Wee Eng	Member (Executive)

The primary objective of the RC is to consider management recommendation, and determine the framework or broad policy for remuneration for the Directors and the senior key executives, including the chief executive officer of the Company. No Director or any of his associates may be involved in any decisions as to his own remuneration.

The duties of the RC also include:

- (a) To review and recommend the criteria for assessing employee performance, which should reflect the Company’s business objectives and targets; and
- (b) To consider the annual performance bonus for executive Directors, Senior Management, and the general staff, having regard to their achievements against the performance criteria and by reference to market norms, and make recommendation to the Board.

The Company’s remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes bonus and share option grants), taking into account other factors, the individual performance, the performance of the Company and industry practices.

(G) NOMINATION COMMITTEE (“NC”)

The NC was established in August 2005 and comprises 3 independent non-executive Directors, 1 non-executive Director and 1 executive Director. The members of the NC are as follows:

Dr. Lo Ka Shui	Chairman (Independent Non-executive)
Mr. Teoh Teik Kee	Member (Independent Non-executive)
Mr. Lee Jackson @ Li Chik Sin	Member (Independent Non-executive)
Hon. Chan Bernard Charnwut	Member (Non-executive)
Mr. Vincent Yeo Wee Eng	Member (Executive)

(G) NOMINATION COMMITTEE (“NC”) (CONT’D)

The duties of the NC include:

- (a) To review and monitor the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any proposed changes;
- (b) To identify individuals suitably qualified to become Board members and select, or make recommendations to the Board on the selection of, individuals nominated for directorships;
- (c) To assess the independence of Directors, having regard to the requirements under the Listing Rules; and
- (d) To make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular, the Chairman and the CEO.

(H) AUDITORS’ REMUNERATION

The Group’s external auditors are KPMG, Singapore (“KPMG”). During the year under review, the Group has engaged KPMG (including any entity that is under common control, ownership or management with KPMG or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of KPMG nationally or internationally) to provide the following services and their respective fees charged are set out below:

Type of services	Fees charges	
	2006 HK\$’000	2005 HK\$’000
Audit fee for the Group	822	707
Taxation services	50	48
Others	296	399
Total	1,168	1,154

(I) AUDIT COMMITTEE (“AC”)

The Company has an AC which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The AC comprises 2 independent non-executive Directors and 1 non-executive Director of the Company. The members of the AC are as follows:

Mr. Lee Jackson @ Li Chik Sin	Chairman (Independent Non-executive)
Mr. Teoh Teik Kee	Member (Independent Non-executive)
Hon. Chan Bernard Charnwut	Member (Non-executive)

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the effectiveness of the Company’s financial reporting process and material internal controls, including financial, operational, compliance and risk management controls. Other duties within its written terms of reference include:

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(I) AUDIT COMMITTEE ("AC") (CONT'D)

- (a) To review with management and, where appropriate, with the external auditors of the half-year and annual financial statements before submission to the Board to ensure their completeness, accuracy and fairness;
- (b) To review, on an annual basis, of the scope and results of the audit and the independence and objectivity of the external auditors; and
- (c) To review the internal audit programme, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group.

In 2006, the AC held 2 meetings in February 2006 and August 2006. In the meeting held in February 2006, the Annual Report and Audited Financial Statements for the year ended 31 December 2005 were reviewed together with the external auditors. In the August 2006 meeting, the Interim Financial Report for the 6 months ended 30 June 2006 was reviewed. The adequacy of internal controls was also discussed in these meetings. The AC concluded that there were no major issues which the AC considered that the Board should be informed after the 2 AC meetings.

(J) FINANCIAL REPORTING

The Directors acknowledge that they are primarily responsible for the preparation of the financial statements which give a true and fair view and that appropriate accounting policies are selected and applied consistently.

To the best knowledge of the Directors, there is no uncertainty relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(K) INTERNAL CONTROL

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. During the year under review, the Board has through the Audit Committee reviewed the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls and risk management functions.

Internal audit was carried out on a systematic rotational basis based on the risk assessments of the operation and controls, and reports were presented to the Audit Committee at least twice every year on significant findings on internal control system.