

## Corporate Governance Report

### Introduction

The directors of the Company are committed to maintaining high standards of corporate governance in discharging their obligations, to act in the best interests of the shareholders and to enhance long-term shareholder value.

The board of directors (the “Board”) of the Company has adopted the principles as set out in the Code of Best Practice under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) which was in force prior to 1 January 2005 and, where applicable, has established various self regulatory and monitoring mechanisms.

The Board has also established written policies that provide a framework and guidelines for its members so that they are able to discharge their respective duties in an efficient and consistent manner, whereby corporate governance practices of the Company are strengthened, the corporate image is improved and the confidence of shareholders, regulators and the public can be assured.

In November 2004, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) issued the Code on Corporate Governance Practices (the “Corporate Governance Code”) which came into effect for accounting periods commencing after 1 January 2005. The Stock Exchange thereafter made further amendments to the Listing Rules relating to corporate governance practices. The Board has amended the written policies of the Company and taken other necessary steps to align with all code provisions and certain recommended best practices in the Corporate Governance Code. The Board reviews these written policies regularly and is committed to continuously improving the practices and ensuring an ethical corporate culture is maintained.

### Board of directors

The Board is collectively responsible for all business and affairs of the Company. Pursuant to the Company’s Bye-laws, the Board has delegated the day-to-day management of the Company’s business to the executive directors and focuses its attention on overall strategic matters related to policies, finance and shareholding issues, whilst matters such as determining mechanisms for setting the Group’s remuneration structure and policies and approving the annual remuneration and incentive plans of the Group together with the granting of share options of the Company and its subsidiaries are delegated to the Remuneration Committee and Share Option Committee, respectively.

As at 31 December 2005, the Board was comprised of three Executive Directors, namely, Mr. Richard John Siemens, Mr. Kuldeep Saran and Mr. Lim Shyang Guey, a Non-executive Director, Mr. William Bruce Hicks, and three Independent Non-executive Directors, namely, Mr. Shane Frederick Weir, Mr. John William Crawford and Mr. Gerald Clive Dobby.

The Chairman and the Chief Executive of the Company are, respectively, Mr. Richard John Siemens and Mr. Kuldeep Saran who is the Managing Director of the Company. The roles of the Chairman and Managing Director are segregated and assumed by these two separate individuals so that the responsibilities are not concentrated with any one person. The Chairman is responsible for providing leadership to and effective running of the Board, while the Managing Director is delegated with the authority and responsibility for overseeing the realisation of the budgets and objectives set by the Board. The division of responsibilities between the Chairman and the Managing Director have been clearly established and recorded in writing.

The Board meets in person regularly and on those occasions when a Board decision is required for major issues. Members of the Board are provided with adequate and timely information prior to Board meetings to ensure that the directors can make informed

decisions when fulfilling their responsibilities. During the year under review, the Board held five meetings, of which four were held at approximately quarterly intervals, and the average attendance was 97%, a breakdown of which is set out below.

<b>Name of Directors</b>	<b>Attendance/Number of Board Meetings in 2005</b>	<b>Attendance Rate</b>
Richard John Siemens ( <i>Chairman</i> )	5/5	100%
Kuldeep Saran ( <i>Deputy Chairman</i> )	5/5	100%
Lim Shyang Guey	5/5	100%
William Bruce Hicks	5/5	100%
Shane Frederick Weir	5/5	100%
John William Crawford J.P.	5/5	100%
Gerald Clive Dobby ( <i>appointed on 16 December 2005</i> )	0/0	n/a
Matthew Brian Rosenberg ( <i>resigned on 1 November 2005</i> )	4/5	80%

On those occasions where it was not practical to convene physical meetings, in lieu thereof, written resolutions of the Board together with full copies of related documents were circulated to all directors for consideration and approval. All such written resolutions were approved by all directors unanimously.

### **Appointment and re-election**

All non-executive directors are appointed for a specific term and upon expiry thereof, the term will be renewable for fixed terms of three years provided that either party may terminate such appointment by giving to the other party not less than one month's notice in writing. All directors, including the executive and non-executive directors, will retire from office by rotation and are eligible for re-election at annual general meetings.

In accordance with the Company's Bye-laws, not less than one-third of the directors for the time being will retire from office by rotation at each annual general meeting, provided that every director shall be subject to retirement by rotation at least once every three years. Any director appointed to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

### **Board committees**

The Board has delegated certain powers, authorities and discretion to a number of Board committees consisting of such directors as it deems appropriate. Such committees act in conformity with the guidelines and regulations as (where applicable) provided in the code provisions in the Corporate Governance Code and as promulgated by the Board and in fulfilment of the purpose for which the committees were appointed.

## Corporate Governance Report (continued)

### Audit Committee

The Audit Committee was established on 29 September 1999 by the Board and comprises three Board members, all of whom are independent non-executive directors. A set of written terms of reference, which describes the authority and duties of the committee and is based on the recommendations as set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants, was adopted by the Board and subsequently incorporated in the written policies of the Company. Such terms of reference and related written policies of the Company were reviewed by the Board during 2005 to ensure alignment with the Corporate Governance Code.

The committee's principal role is to review the quality and fairness of the financial reports of the Company and consider the nature and scope of internal and external audit reviews. It also assesses the effectiveness of the accounting and financial control systems of the Group.

The committee is granted the authority to conduct or authorise investigations into any activities within its terms of reference.

In 2005, two formal meetings were held to review and make recommendation to the Board on the consolidated financial statements of the Company for the interim and annual results, and, in particular, assess any changes in accounting policies and practices, major judgmental areas and compliance with applicable legal and accounting requirements and standards, and other matters like appointment and change of the auditors and the Company's internal control systems. In particular, the Audit Committee also reviewed, with the management and the auditors of the Company, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including a review of the audited consolidated financial statements of the Company for the year ended 31 December 2005.

The attendance rate of those meetings in 2005 was 100% as set out below. The external auditors and executive officers of the Company attended the meetings to answer any questions raised. Full minutes of the meetings were recorded and submitted to the Board for its information and review. In addition, several ad hoc meetings were held with the management of the Company to discuss accounting and reporting issues.

Name of Directors	Attendance/Number of Audit Committee Meetings in 2005	Attendance Rate
John William Crawford J.P. (Chairman of the Committee)	2/2	100%
Shane Frederick Weir	2/2	100%
Gerald Clive Dobby (appointed on 16 December 2005)	0/0	n/a
Matthew Brian Rosenberg (resigned on 1 November 2005)	2/2	100%

The Company's external auditors carried out, in the course of the statutory audit process, a review of the effectiveness of the Company's material financial internal controls to the extent of the scope as laid out in

their audit plan. Any non-compliance matters and internal control weaknesses noted during their audit and the auditors' recommendations thereon were reported to the committee.

### Executive Management Committee

The Executive Management Committee is comprised of three executive directors. The committee is principally responsible for directing, planning, and managing the Group's businesses and operations, formulating strategies and policies for the consideration of the Board and implementing the same to best achieve the Group's overall business objectives in an effective and efficient manner.

The committee meets regularly every month to review the Group's business performance with the senior management of each operation within the Group. Ad hoc meetings are also held on an as-needed basis and the committee is also engaged in frequent informal discussions. In 2005, 13 meetings were held and the attendance rate was 95%, a breakdown of which is set out below.

Name of Directors	Attendance/Number of Executive Management Committee Meetings in 2005	Attendance Rate
Richard John Siemens (Chairman of the Committee)	12/13	92%
Kuldeep Saran	12/13	92%
Lim Shyang Guey	13/13	100%

### Remuneration Committee

The Remuneration Committee was established on 18 December 2001. During the year, it was comprised of the Chairman, Mr. Richard John Siemens, and Messrs. Shane Frederick Weir and John William Crawford, both independent non-executive directors. Messrs. Kuldeep Saran and Lim Shyang Guey, both executive directors were alternate members to Mr. Richard John Siemens. A set of written terms of reference, which describes the authority and duties of the committee was adopted by the Board and incorporated in the written policies of the Company. Such terms of reference and related written policies of the Company were reviewed by the Board during 2005 so to ensure alignment with the Corporate Governance Code.

The committee is responsible for determining mechanisms for setting the Group's remuneration structure and policies with reference to fair and objective standards, approving the annual remuneration and incentive plans of the Group, and, in particular, determining the remuneration packages of executive directors and senior management, reviewing and approving performance-based remuneration programmes with reference to corporate goals and objectives and dealing with such other matters relating to remuneration issues as directed by the Board. During the year under review, one meeting was held and the attendance rate was 100% as set out below.

Name of Directors	Attendance/Number of Remuneration Committee Meetings in 2005	Attendance Rate
Richard John Siemens (Chairman of the Committee)	1/1	100%
Shane Frederick Weir	1/1	100%
John William Crawford J.P.	1/1	100%

## Corporate Governance Report (continued)

### Share Option Committee

The Share Option Committee was established on 18 December 2001. During the year, it was comprised of the Chairman, Mr. Richard John Siemens, and Deputy Chairman, Mr. Kuldeep Saran, but in relation to matters concerning grants in favour of any members of the Share Option Committee, an ad hoc committee comprised of the independent non-executive directors is appointed by the Board to consider such grants and the terms deemed appropriate.

A share option scheme of the Company was adopted in general meeting on 25 October 1999 which was subsequently terminated on 28 June 2002. Another share option scheme of the Company was adopted in general meeting on 28 June 2002. The purpose of the share option schemes is to enable the Board, whose authority is delegated to the Share Option Committee, to grant options to employees and other eligible participants as (i) incentives and/or rewards in recognition or acknowledgement of the contribution such employees and eligible participants have made and will make to the Group and (ii) motivation of such employees and eligible participants for high levels of performance, in order to enhance long-term shareholder value.

In addition, a set of rules and procedures for share option schemes for subsidiaries of the Company was adopted in general meeting on 28 June 2002. The purpose of such share option schemes pursuant to defined rules and procedures are similar to that of the share option schemes of the Company but are only applicable to subsidiaries.

The committee's principal role is to formulate, implement and administer the granting of share options to employees and eligible participants of the Group with a view of achieving the aforesaid purposes of the share option schemes applicable to the Company and its subsidiaries.

The committee meets only as and when required and in 2005 did not meet as no share options were granted.

### Model code for securities transactions by directors

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules, (the "Model Code") as its own securities code. All directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code throughout the year ended 31 December 2005.

### Auditors' remuneration

For the year ended 31 December 2005, the remuneration payable to the auditors of the Company amounts to approximately HK\$620,000, of which about HK\$577,000 relates to its audit services, about HK\$25,000 relates to its tax services and about HK\$18,000 relates to its other services. During the same year, approximately HK\$429,000 is payable to the auditors of subsidiaries of the Company in the United States for its services, of which about HK\$351,000 relates to its audit services and about HK\$78,000 relates to its tax services.