



CORPORATE GOVERNANCE

The Board of Directors (“the Board”) is committed to the observance of good corporate governance to protect and enhance shareholders value and the financial performance of the Group. The Board has adopted the Code on Corporate Governance Practices (“CG Code”) that forms part of the disclosure requirement under the Listing Rules of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Where applicable various self-regulatory and monitoring measures were adopted for effective corporate governance practice.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted and implemented the Model Code set out in Appendix 10 of the Listing Rules on dealing in securities. This has been made known to all the directors of the Company and each director has confirmed in writing that he or she has observed the Model Code for year 2005. The Group has its own in-house mechanism to guide its directors regarding dealing in the Company’s securities including reminders on the law regarding insider trading.

BOARD OF DIRECTORS

The Board comprises of eight directors, three of whom, namely Mr. Lee Han Yang, Mdm. Jeny Lau and Mr. Masatoshi Matsuo, are independent and non-executive. The independence of each director is confirmed in writing by each of the independent directors. As the independent non-executive directors made up at least one-third of the Board the current Board size is considered appropriate with regard to the nature and scope of the Group’s operations. The Board members bring with them a wealth of knowledge, expertise and experience to contribute valuable direction and insight to the Group.

The Board, which meets at least four times a year, manages the business and affairs of the Group, approves the Group’s corporate and strategic direction, appoints directors and key personnel, approves annual budgets and major funding and investment proposals, and reviews the financial performance of the Group.

For effective management, certain functions have been delegated to various board committees, each of which has its own written terms of reference and whose actions are reported to and monitored by the Board.

The Company has internal guidelines in regard to matters that require Board approval. Material transactions that need

Board approval are as follows:

- approval of interim results announcement;
- approval of annual results and accounts;
- declaration of interim dividends and proposal of final dividends;
- convening of shareholders' meeting;
- approval of corporate strategy;
- authorization of merger and acquisition transactions; and
- authorization of major transactions

The Board meets at approximately quarterly intervals. Ad hoc meetings are also convened to deliberate on urgent substantive matters. Telephonic attendance and conference via audio-visual communication at board meetings are allowed under the Company's Bye-laws. The number of board meetings held in the year as well as the attendance of each Board member at those meetings and meetings of the various Board committees are disclosed below:

	Board of Directors			Remuneration Committee			Audit Committee			Independent Non-Executive Directors		
	Board Meetings			Meetings			Meetings			Meetings		
	Position	No. held	No. attended	Position	No. held	No. attended	Position	No. held	No. attended	Position	No. held	No. attended
Executive Director												
Dato' Tan Kim Hor ⁽¹⁾	C	4	4	-	-	-	-	-	-	-	-	-
Mr. Tan Eng Soon ⁽²⁾	C	4	4	-	-	-	-	-	-	C	1	1
Mr. Joseph Ong Yong Loke ⁽³⁾	M	4	4	-	-	-	-	-	-	-	-	-
Mr. Tan Kheng Leong	M	4	4	-	-	-	-	-	-	-	-	-
Mr. Neo Ah Chap	M	4	4	-	-	-	-	-	-	-	-	-
Mdm. Sng Chiew Huat	M	4	4	-	-	-	-	-	-	-	-	-
Independent Non-Executive Director												
Mr. Lee Han Yang	M	4	4	C	1	1	C	2	2	M	1	1
Mr. Liu Kwei Ming ⁽⁴⁾	M	2	2	-	-	-	M	1	1	-	-	-
Mdm. Jeny Lau ⁽⁵⁾	M	4	4	M	1	1	M	2	2	M	1	1
Mr. Masatoshi Matsuo ⁽⁶⁾	M	4	4	-	-	-	M	1	1	M	1	1

Denotes:

C-Chairman, M-Member

Number of meetings held/attended during the financial year/period from 1 January 2005 (or date of appointment, where applicable) to 31 December 2005

(1) Retired as Chairman of Board of Directors & appointed as Honorary Life Counsellor on 13 May 2005

(2) Appointed as Chairman of Board of Directors on 28 November 2005

(3) Nominated to chair each of the Board Meetings

(4) Retired on 13 May 2005

(5) Re-designated from Non-Executive Director to Independent Non-Executive Director on 13 May 2005

(6) Appointed as Audit Committee Member on 13 May 2005





CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The current Chairman, although appointed only on 28 November 2005 had been instrumental in listing the Group. He has in-depth professional knowledge of, and extensive experience in the automobile industry and full cognizance of the workings of the business operations of the Group. In view of this, the Board would like him to continue with some executive functions. The balance of power and authority is ensured by the participation and input of the other Board members who are highly qualified and experienced professionals. The roles of the respective executive directors and senior management who are in charge of different disciplinary functions complement the role of the Chairman and Chief Executive Officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to make and implement decisions promptly and efficiently.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual confirmation from each of the Independent non-executive directors concerning their independence and accepts that each of the Independent non-executive directors is independent.

There is no service contract between the Company and Independent non-executive directors. Independent non-executive directors have no fixed term of service but are subject to retirement by rotation and re-election at the Company's Annual General Meetings in accordance with the Company's Bye-laws. The Board with reference to the Directors' job responsibility, prevailing market conditions and the Company's operating performance and profitability determines directors' fees. Such fees are submitted for approval at Annual General Meetings.

REMUNERATION COMMITTEE (RC)

The RC comprises two independent non-executive directors, namely, Mr. Lee Han Yang (Chairman of the Committee) and Mdm. Jeny Lau.

Members of the RC carried out their duties according to the following terms of reference:

- a. review and determine the employment terms and remuneration packages of the executive directors and senior management staff ;
- b. decide on annual incentives and bonuses to be paid to the said key executives in (a) in regard to the Group's performance and individual's contribution;
- c. approve employment contracts and other related contracts entered into with key executives; and
- d. determine the terms of any compensation package for early termination of the contract of key executives.

There is no service contract between the Company and the executive directors. Executive directors have no fixed term of service but are subject to retirement by rotation and re-election at Annual General Meetings of the Company in accordance with the Bye-laws of the Company. Their directors' fees will be determined by the Board with reference to job responsibility, prevailing market conditions and the Company's operating performance and profitability. Such fees are submitted for approval at Annual General Meetings.

NOMINATING COMMITTEE (NC)

As there were no new Board appointments the Company has no NC. The Board will form a NC when fresh appointments to the Board are required.

AUDITORS REMUNERATION

The Auditors' remuneration (excluding out of pocket and miscellaneous expenses) for audit services for year 2005 is HK\$2,208,000. There were no non-audit services.



AUDIT COMMITTEE (AC)

The AC comprises three board members, all of whom are independent non-executive directors.

The chairman of the AC, Mr. Lee Han Yang, is a lawyer by profession. The other members of the AC have years of experience in business management, finance and legal services. The Board is of the view that the members of the AC have sufficient financial management, expertise and experience to discharge the AC functions.

The AC convened two meetings during the year with full attendance from all members. The AC also met up with both internal and external auditors, without the presence of the Company's management, at least once a year. Details of members and their attendance are provided in the above table.

The AC carries out its functions under the following terms of reference:

- a. Reviews the audit plans of the internal auditors of the Company and ensures the adequacy of company's system of accounting controls and co-operation of the Company's management with the external and internal auditors;
- b. Reviews the interim and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the Board;
- c. Reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management through reviews conducted by the internal auditors;
- d. Meets with the external auditors, other committees, and management in separate executive sessions regarding matters that these parties believe should be discussed privately with the AC;
- e. Reviews the cost effectiveness and the independence and objectivity of the external auditors;
- f. Recommends to the Board the compensation of the external auditors, and reviews the scope and results of the audit;
- g. Reviews connected transactions in accordance with the requirements of the Stock Exchange's Listing Rules.

The AC has the power to conduct or authorize investigations into any matters within the AC's scope of responsibility.

INTERNAL CONTROLS

The Company's internal auditors continually review the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management according to their audit plans. Any material non-compliance or failures in internal controls together with recommendations for improvements were reported accordingly.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group and that was in place throughout the financial year and up to the date of this report, provides reasonable assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

COMMUNICATIONS WITH SHAREHOLDERS

The Board is obliged to provide regular, effective and fair communication with shareholders. Information is conveyed to the shareholders on a timely basis. The Company's summary financial report is sent to all shareholders and its Annual Report is available on request and accessible on the Company's website.

Shareholders' views on matters that affect the Company are welcomed by the Board at shareholders' meetings. Shareholders are notified of shareholders' meetings through notices published in the newspapers and reports or circulars sent to them. Each item of special business in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. The chairman of the Audit and Remuneration Committee are normally available at the meeting to answer those questions in regard to the work of these committees. The external auditors are also present to assist the directors to address any relevant queries from the shareholders.