

■ CODE ON CORPORATE GOVERNANCE PRACTICES

On 23 September 2005, the Company has adopted its own corporate governance code which is substantially similar or in exceeds as the Code on Corporate Governance Practices (the "Code") as set out in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Material deviations from the Code are explained in the report below.

■ BOARD OF DIRECTORS

The Board is responsible for formulating business strategies, and monitoring the performance of the business of the Group. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are taken by the Board.

The Board currently comprised of five Executive Directors, namely Messrs. Lim Siam Kwee (Chairman), Lim Kiah Meng, Lim Kia Hong (Chief Executive Officer), Lim Hwee Hai, and Madam Lim Hwee Noi, and three Independent Non-Executive Directors (the "INED"), namely, Messrs. Lee Hiok Chuan, Woon Wee Teng, and Ms. Ong Wui Leng. Messrs. Lim Kiah Meng and Lim Kia Hong, and Madam Lim Hwee Noi are sons and daughter of Mr. Lim Siam Kwee respectively. Mr. Lim Hwee Hai is son-in-law of Mr. Lim Siam Kwee. Biographical details of each Director are set out on page 10.

Each of the INED has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs meet the independent guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. One of the INED has the more than twenty years experience in corporate banking, corporate finance and management.

All the INEDs are not appointed with a specific term as required by Code A.4.1, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-Laws 99(B). As such, the Directors consider that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less than exacting than those in the Code.

According to the Bye-Laws of the Company, at each annual general meeting one-third (or the number nearest to one-third) of the Directors at the time being shall retire from office provided that notwithstanding anything therein, the chairman of the Board and Managing Directors of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. This deviates from the provision in Code A.4.2 which requires every Director to be subject to retirement by rotation at least once every three years. The Directors consider the deviation acceptable as the current Chairman is the founder and also a substantial shareholder of the Company. Also in view of the small number of the total Directors of the Company, the deviation is not material.

The positions of the Chairman and Chief Executive Officer are held by separate individuals. The Chairman, Mr. Lim Siam Kwee, is responsible to oversee the function of the Board, and the Chief Executive Officer, Mr. Lim Kia Hong, is responsible to manage business operations of the Group.

The nomination, appointment and removal of Directors are considered by the Board. All Directors shall made recommendation to the Board whenever they consider appropriate. During the year, the Board considered that the experience, expertise, leadership and qualification of the existing Directors are sufficient to maintain corporation governance of the Company and manage the operations of the Group.

■ REMUNERATION COMMITTEE

The Remuneration Committee was set up on 23 September 2005 and is comprised of all INED, namely Messrs. Lee Hiok Chuan, Woon Wee Teng, and Ms. Ong Wui Leng, and two Executive Directors, namely Messrs. Lim Kiah Meng and Lim Kia Hong, with Mr. Lee Hiok Chuan as the Chairman of the Remuneration Committee.

The Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and reviewing and approving the compensation payable to Executive Directors and senior management. There was only one meeting held since its establishment, and the members had reviewed the remuneration policy and determined remuneration of Directors.

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■ AUDIT COMMITTEE

The Audit Committee is comprised of all INED, with Mr. Lee Hiok Chuan as the Chairman of the Audit Committee.

The main duties of the Audit Committee include:–

- to consider the appointment, reappointment and removal of the external auditors, the audit fee and terms of engagements, and any questions of resignation or dismissal of that auditors;
- to monitor integrity of half-year and annual financial statements before submission to the Board;
- to review the Company's financial controls, internal control and risk management systems; and
- to review the Group's financial and accounting policies and practices.

The Audit Committee has met four times during the year ended 31 December 2005 and has reviewed the managements accounts, half-year, and annual financial results of the Group and its subsidiaries. Certain recommendations have been made to the internal control of the Company and its subsidiaries. Audit Committee had met the external auditors without the present of Executive Directors on reviewing the half-year and annual financial results.

■ DIRECTORS' SECURITIES TRANSACTION

The Company adopted its own code of conduct regarding Directors' dealing in securities on 23 September 2005 (the "Code of Conduct"). The term of the Code of Conduct are no less exacting than the required standard set out in the Model Code set out in Appendix 10 of the Listing Rules.

Having made specific enquiry of all Directors, the Directors of the Company have complied with the Model Code and the Company's Code of Conduct.

■ DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparing the financial statements which give a true and fair view of the state of affair of the Group. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Auditors' Report on page 17.

■ AUDITORS' REMUNERATION

During the year ended 31 December 2005, the Group had engaged external auditors to provide the following services.

	Service fee
	HK\$'000
Audit services	1,132
Tax advisory	85
Other services	258
	1,475

■ ATTENDANCE OF MEETINGS

The following table shows the attendance of each Director at meetings of the Board and the above committee during the year:

	Board	Audit Committee	Remuneration Committee
	(3)	(4)	(1)
Chairman			
Lim Siam Kwee	3	N/A	N/A
Executive Directors			
Lim Kiah Meng	3	N/A	1
Lim Kia Hong	2	N/A	1
Lim Hwee Hai	3	N/A	N/A
Lim Hwee Noi	3	N/A	N/A
Independent Non-Executive Directors			
Lee Hiok Chuan	3	4	1
Woon Wee Teng	3	4	1
Ong Wui Leng	3	4	1

■ INTERNAL CONTROLS

System of internal controls is defined as a system of internal controls procedures which is used to help the achievement of business objectives, and safeguard the Group's assets; to ensure proper maintenance of accounting records and compliance with relevant legislation and regulations.

The management of the Group would evaluate the internal control system periodically and enhance the system when necessary. The Company established its internal audit functions during the year ended 31 December 2005. The internal auditors reviewed the internal controls system on an ongoing basis covering all major operations of the Group on a rotational basis, and reported directly to the Audit Committee and Board on a regular basis.

Through the internal control functions of the Group, the Directors conduct a review of the effectiveness of the system of the internal control of the Group during the year. The Directors considered that the internal control systems effective and adequate.

■ INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

To enhance the communication with investors, or shareholders, the Company has established difference communication channels, including (a) the annual and extraordinary general meetings which provide a forum for shareholders to communicate directly with the Board; (b) printed corporate documents mailing to shareholders; (c) press announcement disseminating the latest activities of the Group; (d) meeting with investment fund manager; and (e) the Company's web-site providing an electronic means of communication.

The last shareholders' meeting was the annual general meeting held on 13 May 2005 at Baker Room, 7/F., Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong to receive and consider the audited financial statements for the year ended 31 December 2004; to re-elect directors; and approve the general mandates for the issue and re-purchase of the Company's share.