



The Board of Directors of the Company (the “Board”) is pleased to present this Corporate Governance Report in the Company’s annual report for the year ended 31st December, 2005.

Good corporate governance has always been recognized as vital to the Group’s success and to sustain development of the Group. The Company is committed to a high standard of corporate governance as an essential component of quality and has introduced corporate governance practices appropriate to the conduct and growth of its business.

In November 2004, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) promulgated the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) which sets out corporate governance principles (the “Principles”) and code provisions (the “Code Provisions”) with which listed issuers are expected to follow and comply with effect from 1st January, 2005.

On 1st March, 2006, the Company migrated from the Growth Enterprise Market (the “GEM”) to Main Board of the Stock Exchange. For the whole financial year ended 31st December, 2005, the Company was still listed on the GEM. Therefore, the Company was expected to comply with the CG Code. The Company has applied the Principles set out in the CG Code and complied with most of the Code Provisions save for (i) the Code Provisions on internal controls which are to be implemented for accounting periods commencing on or after 1st July, 2005 pursuant to the CG Code and (ii) the Code Provision A.4.2 which requires that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The details of such deviation of the Code Provision A.4.2 will be explained below.

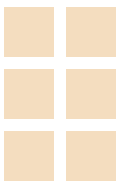
The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code. The key corporate governance principles and practices of the Company are summarised as follows:–

A. THE BOARD

(1) Responsibilities

The overall management of the Company’s business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All directors should take decisions objectively in the interests of the Company.

The Board undertakes responsibility for decision making in major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.



All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The Board has the full support of the senior management to discharge its responsibilities.

(2) Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board comprises the following directors:-

Executive directors:-

Mr Harmiono Judianto, *Chairman of the Board and member of the Remuneration Committee*

Mr Johanas Herkiamto, *Vice Chairman*

Mr Rudi Zulfian, *Chief Executive Officer & Chairman of the Remuneration Committee and the Nomination Committee*

Ms Roseline Marjuki

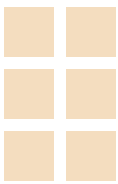
Independent non-executive directors:-

Mr Gandhi Prawira, *Chairman of the Audit Committee and member of the Remuneration Committee*

Ms Novayanti, *member of the Audit Committee, the Remuneration Committee and the Nomination Committee*

Ms Goh Hwee Chow, Jacqueline, *member of the Audit Committee, the Remuneration Committee and the Nomination Committee*

Ms Wang Poey Foon, Angela, *member of the Audit Committee*



The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time.

There is no relationship (including financial, business, family, or other material/relevant relationship(s)) among the Board members.

During the year ended 31st December, 2005, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors with one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. On 6th January, 2006, the Company has appointed Ms Wang Poey Foon, Angela as an additional independent non-executive director.

The Company has received written annual confirmation from all the independent non-executive directors of their independence pursuant to the requirements of the GEM Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the GEM Listing Rules.

The non-executive directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive directors make various contributions to the effective direction of the Company.

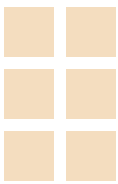
(3) Appointment and Succession Planning of Directors

The Company has established formal, considered and transparent procedures for the appointment and succession planning of directors.

Each of the executive directors of the Company is engaged on a service contract for a term of 3 years.

Each of the independent non-executive directors of the Company are appointed for a specific terms. The term of office of Mr Gandhi Prawira and Ms Novayanti is up to the date of holding of the Company's 2007 annual general meetings. Ms Goh Hwee Chow, Jacqueline and Ms Wang Poey Foon, Angela have been appointed for a term of 3 years from 30th December, 2004 and 6th January, 2006 respectively.

Code Provision A.4.2 of the CG Code stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.



The Company's Articles of Association deviates from Code Provision A.4.2 of the CG Code as it provides that one-third of the directors for the time being (save for the Chairman or Vice Chairman or Managing Director or Joint Managing Director), or if their number is not a multiple of three, then the number nearest to one-third but not greater than one-third, shall retire from office by rotation and shall be eligible for re-election at annual general meetings and that any new director appointed by the Board during the year shall hold office until the next following annual general meeting after appointment, when he/she shall be eligible for re-election.

To conform with Code Provision A.4.2 of the CG Code, a special resolution will be proposed at the forthcoming annual general meeting of the Company to amend the Articles of Association of the Company so that all directors of the Company will be subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment.

(4) Training for Directors

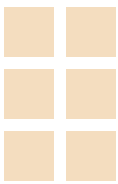
There was no director newly appointed during the year ended 31st December, 2005. In case there is any newly appointed director, he/she will be provided comprehensive, formal and tailored induction so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Company will consider to engage external legal and other professional advisers for providing professional briefings and training programmes to directors on an occasional basis.

(5) Board and Committee Meetings

Number of Meetings and Directors' Attendance

Regular board meetings should be held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.



During the year ended 31st December, 2005, 8 Board meetings and 4 Audit Committee meetings were held. The individual attendance record of each director at the meetings of the Board and Audit Committee during the year ended 31st December, 2005 is set out below:–

Name of Directors	Attendance/Number of Meetings	
	Board	Audit Committee
Mr. Harmiono Judianto	8/8	–
Mr. Johanas Herkiamto	8/8	–
Mr. Rudi Zulfian	8/8	–
Mr. Gandhi Prawira	7/8	4/4
Ms. Novayanti	7/8	4/4
Ms. Goh Hwee Chow, Jacqueline	4/8	4/4

Practices and Conduct of Meetings

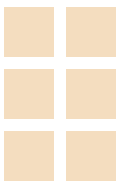
Draft agendas of the meetings of the Board and the Board committees are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors/committee members at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chief Executive Officer attend all regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Chief Executive Officer/designated executive director is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.



According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Articles of Association also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

B. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority.

The positions of the Chairman and Chief Executive Officer are held by Mr Harmiono Judianto and Mr Rudi Zulfian respectively.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

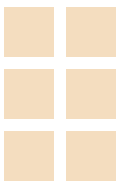
The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval.

The Board considers that the responsibilities of the Chairman and Chief Executive Officer respectively are clear and distinctive, therefore, written terms thereof are not necessary.

C. BOARD COMMITTEES

The Board has established 3 committees, namely, the Nomination Committee (the "Nomination Committee"), Remuneration Committee (the "Remuneration Committee") and Audit Committee (the "Audit Committee"), for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are available to shareholders upon request.

The majority of the members of the Nomination Committee and the Remuneration Committee are independent non-executive directors and all the members of the Audit Committee are independent non-executive directors. The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.



The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

(1) Nomination Committee

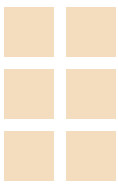
On 18th January, 2006, the Company established its Nomination Committee. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessment of the independence of the independent non-executive directors.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge and personal integrity of such individuals, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

Up to the date of this Report, the Nomination Committee met once (with the presence of all the committee members) and reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company and discussed the appointment of Ms Roseline Marjuki as an executive director of the Company.

In accordance with Article 112 of the Company's Articles of Association, Ms Wang Poey Foon, Angela and Ms Roseline Marjuki, having been appointed as an independent non-executive director and an executive director of the Company with effect from 6th January, 2006 and 21st April, 2006 respectively, shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. In accordance with Article 108 of the Company's Articles of Association and for complying with the Code Provision A.4.2, Mr Harmiono Judianto and Mr Johanas Herkiamto shall retire by rotation and, being eligible, offer themselves for re-election at the Company's forthcoming annual general meeting. The Nomination Committee recommended the re-appointment of the above directors standing for re-election at the forthcoming annual general meeting of the Company.

The Company's circular dated 28th April, 2006 contains detailed information of such directors standing for re-election.



(2) Remuneration Committee

On 11th November, 2005, the Company established its Remuneration Committee. The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee normally meets annually for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive directors, the senior management and other related matters. The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman/Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

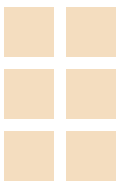
Up to the date of this Report, the Remuneration Committee met once (with the presence of all the committee members) and discussed the remuneration related matters of the Company.

(3) Audit Committee

With the appointment of Ms Wang Poey Foon, Angela as an independent non-executive director on 6th January, 2006, the Audit Committee comprises four independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:—

- (a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer, internal auditor (if any) or external auditors before submission to the Board.
- (b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.
- (c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.



The Audit Committee held 4 meetings during the year ended 31st December, 2005 to review the financial results and reports, financial reporting and compliance procedures, report on the Company's internal control and risk management review and processes and the re-appointment of the external auditors.

The Company's annual results for the year ended 31st December, 2005 have been reviewed by the Audit Committee.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The Board has not taken any different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors.

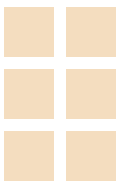
D. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' securities transactions (the "Own Code") on terms no less exacting than the required standard set out in the required standard of dealings set out in Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules.

Specific enquiry has been made of all the directors and the directors confirmed that they have complied with the Own Code and Required Standard of Dealings throughout the year ended 31st December, 2005.

The Company has also established written guidelines on no less exacting terms than the Required Standard of Dealings (the "Employees Written Guidelines") for securities transactions by employees of the Group who are likely to be in possession of unpublished price-sensitive information of the Company or its securities.

No incident of non-compliance of the Employees Written Guidelines by the employees of the Group was noted by the Company.



E. RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITORS' REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31st December, 2005.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Auditors' Report" on page 29.

The remuneration of the external auditors of the Company in respect of audit services for the year ended 31st December, 2005 amounted to HK\$471,000. The non-audit services provided by the Company's auditors to the Company for the year ended 31st December, 2005 amounted to HK\$450,000 in aggregate, which covered the reporting accountants fee of HK\$400,000 and professional fee for forecast review of HK\$50,000 in respect of the migration of the Company to the Main Board on the Stock Exchange.

F. SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles of Association. Details of such rights to demand a poll are included in all circulars to shareholders and will be explained during the proceedings of meetings. Whenever voting by way of a poll is required, the detailed procedures for conducting a poll will be explained at the meeting.

Results on any voting conducted by poll will be published in newspapers on the business day following the shareholders' meeting and posted on the website of the Stock Exchange.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as the chairmen of the Board committees or, in their absence, other members of the respective committees and, where applicable, the independent Board committee, are normally available to answer questions at the shareholders' meetings.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The Company continues to enhance communications and relationships with its investors. Designated executive directors and senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. Investors may write directly to the Company at its principal place of business in Hong Kong for any inquiries.