

# Corporate Governance Report

## 企業管治報告

The Board of Directors of the Company (the “Board”) is committed to maintaining good corporate governance standard and procedures which emphasize a quality management, and transparency and accountability to all shareholders.

### CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31st December, 2005, except that:

- (a) in contrast to the Code Provisions A.4.1 and A.4.2 of the Code, none of the existing independent non-executive Directors of the Company are appointed for a specific term and the Articles of Association of the Company do not prescribe to have the Directors of the Company retired by rotation at least once every three years. However, one-third (or the number nearest thereto) of all the Directors of the Company (including the independent non-executive Directors) for the time being shall retire by rotation at the Company’s annual general meeting and shall be eligible for re-election in accordance with the Articles of Association of the Company; and
- (b) there is neither any chairman of the Board nor any chief executive officer in the Company. In view of the Company’s nature of operations and the composition of the Board (being three executive Directors and three independent non-executive Directors), the Board believes that the present structure of the Board enables it to make and implement decisions promptly and efficiently. The responsibilities of the chairman of the Board stated in the code provisions of the Code are shared amongst the Directors of the Company. On the other hand, the Company has established an executive committee under the Board with specific terms of reference for dealing with day-to-day management of the Company’s business. Hence, no power is concentrated in any one individual of the Board.

本公司董事局(「董事局」)致力保持以強調優質管理及對所有股東保持透明度和問責性的良好企業管治水平和程序。

### 企業管治守則

本公司在截至二零零五年十二月三十一日止年度已採納香港聯合交易所有限公司《證券上市規則》(「《上市規則》」)附錄十四所載之《企業管治常規守則》(「該《守則》」)內之原則和遵守所有守則條文，惟下文所述者除外：

- (a) 與該《守則》第A.4.1及第A.4.2條的規定不符，本公司之現任獨立非執行董事均無指定任期，而本公司之《公司組織章程細則》亦沒有規定本公司每位董事需至少每三年輪流退任一次。惟根據本公司之《公司組織章程細則》之規定，本公司當時所有在任董事(包括獨立非執行董事)中三分之一(或最接近三分之一之數目)之成員須在本公司股東週年大會上依章輪值告退，惟可競選連任；及
- (b) 本公司董事局並未設有任何主席或行政總裁之職。鑑於本公司業務的性質及董事局的組成(三位執行董事及三位獨立非執行董事)，董事局相信目前的架構讓董事局可適時和有效率地制訂和落實決策。該《守則》的守則條文所載的董事局主席的責任由本公司董事們分擔。另一方面，本公司已在董事局轄下設立一個具有特定職權範圍的執行委員會，以處理本公司日常業務管理。因此，並無集中權力於任何個別董事局成員身上。

## Corporate Governance Report

### 企業管治報告

#### THE BOARD

The Board is currently composed of six members, including three executive Directors, Madam Hsu Feng (Managing Director), Mr Chuang Hsiao Chen and Mr Tong Albert, and three independent non-executive Directors, Madam Tung Wai Yee, Mr Cheung Siu Ping, Oscar and Mr Lee Chan Fai.

Biographical details of the Directors and relevant relationships among them together with their respective roles in the Board and its committees are set out in the Profile of the Directors and Officers on pages 29 to 31.

The independent non-executive Directors represent half of the Board and one of them has the professional accounting qualification as required by the Listing Rules. The Company has received a written confirmation from each of the independent non-executive Directors of his independence pursuant to Rule 3.13 of the Listing Rules and considers all of the independent non-executive Directors to be independent.

The Board meets regularly throughout the year as and when required. Sufficient notices are given to all Directors at least 14 days before the regular Board meetings so as to facilitate maximum attendance of the Directors. The Company Secretary assists the Board in setting the agenda for the meetings and all Directors are consulted to include any matters in the agenda. Agenda and accompanying board papers are given to all Directors in a timely manner before the appointed date of the meetings.

#### 董事局

董事局現由六位成員組成，包括三位執行董事，分別為徐楓女士（董事總經理）、莊然真先生和湯子同先生，以及三位獨立非執行董事，分別為董慧儀女士、張兆平先生和李燦輝先生。

有關董事的個人資料詳情和相互之間的關係，以及彼等在董事局及其轄下之委員會中的相關工作列載於第29至第31頁董事及高級行政人員簡介中。

獨立非執行董事佔董事局一半席位，而按《上市規則》的規定，其中一位具有專業會計資格。本公司已收到每一位獨立非執行董事根據《上市規則》第3.13條之規定就有關彼等之獨立性發出的書面確認，並認為全體獨立非執行董事均屬獨立人士。

董事局在年度內及有需要時定期舉行會議。本公司在定期董事局會議舉行日期前最少十四天向所有董事發出充足的通知，藉以提高董事之出席率。本公司之公司秘書協助董事局編製該等會議的議程，而所有董事均被諮詢在議程中加入任何議題。此外，議程及其呈附的董事局文件在指定會議舉行日期前及時向所有董事提供。

During the year of 2005, four regular meetings were held by the Board and the attendance of individual members at those meetings is detailed as follows:

於二零零五年，董事局共舉行了四次定期會議，而個別成員於該等會議的出席率詳情如下：

Directors	董事	Regular Board Meetings attended / held 已出席／舉行的 定期董事局會議
<b>Executive Directors</b>		
Madam Hsu Feng ( <i>Managing Director</i> )	徐 楓女士 ( <i>董事總經理</i> )	4/4
Mr Chuang Hsiao Chen	莊然真先生	4/4
Mr Tong Albert	湯子同先生	4/4
<b>Independent Non-Executive Directors</b>		
Madam Tung Wai Yee	董慧儀女士	4/4
Mr Cheung Siu Ping, Oscar	張兆平先生	4/4
Mr Lee Chan Fai (appointed on 15th December, 2005)	李燦輝先生 (於二零零五年十二月十五日獲委任)	N/A 不適用
Mr Lu Yao-Tsu (resigned on 15th December, 2005)	陸耀祖先生 (於二零零五年十二月十五日辭任)	4/4

The Board is committed to take decisions in the best interests of both the Company and its shareholders. The principal functions of the Board are to formulate strategy, to consider and approve the Group's major corporate matters, to monitor and control significant operational and financial matters of the Group. The Board has established an executive committee, an audit committee and a remuneration committee (collectively the "Committees") to oversee particular aspects of the Company's affairs and to assist in sharing the Board's responsibilities. The Board has reserved for its decision or consideration matters covering corporate strategy, annual and

董事局在作出決策時致力顧及本公司和股東的最佳利益。董事局的主要功能是制訂策略、考慮和審批本集團之主要企業事項、以及監控本集團的重大營運及財務事項。董事局已成立一個執行委員會、一個審核委員會以及一個薪酬委員會(統稱「委員會」)，以監管本公司不同方面的特定事務，並協助分擔董事局的職責。董事局已保留其就有關企業策略、年度和中期業績、董事局及其委員會的成員變動、主要收購、出售和資本交易，以及其他重大營

## Corporate Governance Report

### 企業管治報告

interim results, changes of members of the Board and its Committees, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. All the Committees have clear written terms of reference and have to report regularly to the Board on their decisions and recommendations. The management is responsible for implementing the strategies and plans adopted by the Board and its Committees.

The Board has agreed on a procedure to enable the Directors to seek independent professional advice whenever deemed necessary, at the Company's expense, to assist them to discharge their duties. All Directors are kept informed on a timely basis of major changes that may affect the Group's business, including relevant rules and regulations.

The Company has arranged for appropriate liability insurance since January 2006 to indemnify its Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

#### Executive Committee

As disclosed above, there is neither any chairman of the Board nor any chief executive officer. In order to comply with the principle as set out in the section A.2 of the Code, an executive committee (the "Executive Committee") was established by the Board with specific written terms of reference in June 2005. The Executive Committee now comprises three executive Directors of the Company, namely Madam Hsu Feng, Mr Chuang Hsiao Chen and Mr Tong Albert, and Madam Hsu Feng was appointed chairman of the Executive Committee. The Executive Committee may convene meetings as it considers necessary for reviewing and approving, inter alia, any matters concerning the day-to-day management of the business of the Company and any matters to be delegated to it by the Board from time to time.

運和財務事項方面的決策或考慮事項的權力。所有委員會已具有由書面訂明的職權範圍，並須定期向董事局匯報其決策及建議。管理層須負責落實董事局及其委員會所採納的策略和計劃。

董事局已協定一個就有關董事可在視為需要情況下尋求獨立專業意見的程序，以協助彼等履行其職責，有關費用由本公司支付。所有董事會適時獲知可能影響本集團業務的重大變化，其中包括相關法則及規例之修訂。

自二零零六年一月起，本公司已就彌償其董事因從事企業活動所產生的責任安排適當的責任保險。保險之保障範圍將每年予以檢討。

#### 執行委員會

誠如上文所披露，本公司並無董事局主席或行政總裁。為了遵守該《守則》第A.2部份所列原則，董事局於二零零五年六月已設立一個具有由書面訂明特定職權範圍的執行委員會（「執行委員會」）。執行委員會現由本公司三位執行董事，即徐楓女士、莊然真先生和湯子同先生組成，而徐楓女士已獲委任為執行委員會的主席。執行委員會可在認為需要時召開會議，以審閱和批准（其中包括）有關本公司日常業務管理和不時由董事局委派處理的任何事項等。

Ten Executive Committee's meetings were held during 2005 and the attendance of its members is as follows:

在二零零五年內，執行委員會共舉行了十次會議，出席的成員如下：

Committee Members	委員會成員	Executive Committee's Meetings attended / held 已出席／舉行的 執行委員會會議
Madam Hsu Feng ( <i>the Chairman of the Executive Committee</i> )	徐 楓女士 (執行委員會主席)	10/10
Mr Chuang Hsiao Chen	莊然真先生	10/10
Mr Tong Albert	湯子同先生	10/10

### Remuneration Committee

Pursuant to the Code Provision B.1.1 of the Code, a remuneration committee (the "Remuneration Committee") was established by the Board with specific written terms of reference adopted by the Company in June 2005. The principal duties of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration and package of the Directors and senior management of the Company and to determine specific remuneration packages of all executive Directors and senior management of the Company. Madam Tung Wai Yee, Mr Cheung Siu Ping, Oscar and Mr Lee Chan Fai, all being independent non-executive Directors of the Company, and Mr Tong Albert, an executive Director of the Company, are now members of the Remuneration Committee whereas Madam Tung Wai Yee acts as the chairman of the Remuneration Committee.

Three Remuneration Committee's meetings were held during 2005 for approving remuneration packages of and offer to grant share options to executive Directors of the Company and reviewing the remuneration policy and packages for all the Directors and senior management of the Company annually.

### 薪酬委員會

根據該《守則》之守則條文第B.1.1條的規定，董事局已於二零零五年六月設立一個具有由書面訂明特定職權範圍的薪酬委員會（「薪酬委員會」）。薪酬委員會的主要工作是向董事局就本公司董事及高級管理人員的薪酬和福利政策和結構提供建議，並訂定本公司所有執行董事和高級管理人員的特定薪酬和福利。本公司獨立非執行董事董慧儀女士、張兆平先生和李燦輝先生，以及執行董事湯子同先生現為薪酬委員會成員，而董慧儀女士擔任薪酬委員會主席之職。

在二零零五年內，共舉行了三次薪酬委員會會議，以批准本公司執行董事之薪酬事宜及向本公司執行董事授予購股權，並年度檢討本公司所有董事及高級管理人員的薪酬政策和福利。

## Corporate Governance Report 企業管治報告

The attendance of the Remuneration Committee's members at those meetings is as follows:

薪酬委員會成員於該等會議的出席率如下：

Committee Members	委員會成員	Remuneration Committee's Meetings attended / held 已出席／舉行的 薪酬委員會會議
Madam Tung Wai Yee ( <i>the Chairman of the Remuneration Committee</i> )	董慧儀女士 (薪酬委員會主席)	3/3
Mr Cheung Siu Ping, Oscar	張兆平先生	3/3
Mr Lee Chan Fai (appointed on 15th December, 2005)	李燦輝先生 (於二零零五年十二月十五日獲委任)	N/A不適用
Mr Tong Albert	湯子同先生	1/3
Mr Lu Yao-Tsu (ceased on 15th December, 2005)	陸耀祖先生 (於二零零五年十二月十五日離任)	3/3

### Audit Committee

An audit committee (the "Audit Committee") has already been set up by the Board with written terms of reference which have been modified in April 2005 to align with the Code Provision C.3.3 of the Code. The Audit Committee is now composed of three independent non-executive Directors of the Company, Madam Tung Wai Yee, Mr Cheung Siu Ping, Oscar and Mr Lee Chan Fai. The Audit Committee is chaired by Mr Cheung Siu Ping, Oscar who possesses the appropriate professional accounting qualifications as required under the Listing Rules.

Under its terms of reference, the Audit Committee is required to monitor integrity of the financial statements of the Company, to review the financial reporting system, internal control procedures and risk management frameworks of the Company, and to oversee the relationship with the Company's auditors.

### 審核委員會

董事局已設立一個審核委員會(「審核委員會」)，其由書面訂明之職權範圍已於二零零五年四月作出修訂，以符合該《守則》之守則條文第C.3.3條之規定。審核委員會現由本公司三位獨立非執行董事(即董慧儀女士、張兆平先生和李燦輝先生)組成。審核委員會的主席張兆平先生擁有《上市規則》所規定之適當會計專業資格。

根據審核委員會之職權範圍，審核委員會須監控本公司財務報表的完整性，審閱本公司之財務報告制度、內部監控程序和風險管理框架，以及監察與本公司核數師的關係。

During the year, the Audit Committee held three meetings for reviewing the interim and annual results of the Group, and for assessing the financial reporting, internal control and risk management systems of the Group and the Company. Attendance of the committee members at the Audit Committee's meetings is set out as follow:

在年度內，審核委員會共舉行了三次會議，以審閱本集團的中期和年度業績，並評估本集團和本公司的財務報告、內部監控和風險管理制度。出席審核委員會會議的委員會成員如下：

Committee Members	委員會成員	Audit Committee's Meetings
		attended / held 已出席／舉行的 審核委員會會議
Mr Cheung Siu Ping, Oscar <i>(the Chairman of the Audit Committee)</i>	張兆平先生 <i>(審核委員會主席)</i>	3/3
Madam Tung Wai Yee	董慧儀女士	3/3
Mr Lee Chan Fai <i>(appointed on 15th December, 2005)</i>	李燦輝先生 <i>(於二零零五年十二月十五日獲委任)</i>	N/A不適用
Mr Lu Yao-Tsu <i>(ceased on 15th December, 2005)</i>	陸耀祖先生 <i>(於二零零五年十二月十五日離任)</i>	3/3

### Appointments and Re-election of Directors

The Company did not establish a nomination committee pursuant to recommended best practices of the Code and the Board is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the members of the Board, and assessing the independence of independent non-executive Directors. The Board is also responsible for considering any appointment of its own members and nomination for re-election by the shareholders on the general meeting following their appointments.

Every newly appointed Director will be given a comprehensive orientation package, including latest information of the Group, induction into their responsibilities and duties and other related regulatory requirements.

### 董事之委任和重選

本公司並無按照該《守則》的建議最佳常規設立提名委員會，董事局負責檢討其成員之結構、人數和組成(包括技能、知識和經驗方面)，以及評估獨立非執行董事的獨立性。董事局亦須負責考慮其任何成員的委任事宜，並在彼等獲委任後，考慮於股東大會上向股東提名重選彼等為董事。

每名新委任的董事將獲發一套內容全面的簡介文件，包括本集團的最新資料、其責任和職權的介紹，以及其他相關的規例要求的資料。



## Corporate Governance Report 企業管治報告

An appointment of a Director was considered at a regular Board meeting of the Company in 2005 and the attendance of the Board members is as follows:

在二零零五年內，董事局曾於一次定期董事局會議中考慮委任一位董事，出席的董事局成員如下：

Directors	董事	Board Meeting regarding an appointment of director attended / held 已出席／舉行有關 委任董事的董事局會議
<b>Executive Directors</b>		
Madam Hsu Feng ( <i>Managing Director</i> )	徐 楓女士 ( <i>董事總經理</i> )	1/1
Mr Chuang Hsiao Chen	莊然真先生	1/1
Mr Tong Albert	湯子同先生	1/1
<b>Independent Non-Executive Directors</b>		
Madam Tung Wai Yee	董慧儀女士	1/1
Mr Cheung Siu Ping, Oscar	張兆平先生	1/1
Mr Lee Chan Fai (appointed on 15th December, 2005)	李燦輝先生 (於二零零五年十二月十五日獲委任)	N/A 不適用
Mr Lu Yao-Tsu (resigned on 15th December, 2005)	陸耀祖先生 (於二零零五年十二月十五日辭任)	1/1

### Model Code for Securities Transactions by Directors

The Company had adopted its own code of practice regarding securities transactions by the Directors (the “Code of Practice”) on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”).

Having made specific enquiry of all Directors, each of whom has confirmed compliance with the required standard set out in the Model Code and the Code of Practice throughout the year.

### 董事進行證券交易的標準守則

本公司已就董事進行證券交易採納其本身的守則（「該交易守則」），而該交易守則之條文並不遜於《上市規則》附錄十所載之《上市發行人董事進行證券交易的標準守則》（「《標準守則》」）所訂之標準。

本公司已向所有董事作出特定查詢，各董事均已確認於年度內彼等一直遵守載於《標準守則》及該交易守則內所規定之標準。



## ACCOUNTABILITY AND AUDIT

### Internal Controls

In order to comply with the principle as set out in the section C.2 of the Code, the Company has adopted a code on internal control applicable to the Company and its subsidiaries in terms of financial, operational and compliance controls and risk management functions in 2005. The Audit Committee has been authorized by the Board to review the effectiveness of the system of internal control of the Group regularly and a meeting was held in 2005 for that purpose.

The Board, through the review of the Audit Committee, is satisfied that the Group has in principle complied with all the provisions on internal control throughout the year ended 31st December, 2005 and considers the Group's internal control system has implemented effectively. The code on internal control is reviewed and modified regularly pursuant to operational requirements of the Group.

### Directors' and Auditors' Responsibilities for the Accounts

The Directors of the Company are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group as at the period end and of the results and cash flows of the Group for that period. In preparing the financial statements for the year ended 31st December, 2005, the Directors have selected suitable accounting policies and applied them consistently; have made judgements and estimates that were prudent and reasonable; and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

## 問責及審核

### 內部監控

為了符合該《守則》之第C.2部份所列原則，本公司於二零零五年已採納了一套在財務、營運、合規監控和風險管理方面適用於本公司及其附屬公司的《內部監控守則》。審核委員會已獲董事局授權定期檢討本集團內部監控制度的有效性，且於二零零五年內已就此舉行了一次會議。

經審核委員會檢討後，董事局確信本集團於整個截至二零零五年十二月三十一日止年度內已原則上符合所有內部監控條文之規定，並認為本集團的內部監控制度已有效地實施。《內部監控守則》按本集團的業務運作需要作定期檢討和修訂。

### 董事和核數師對賬目的責任

本公司董事負責編製每個財務期間的財務報表，而該等報表須公平與真實地反映本集團期末的財務狀況和該期間內的本集團業績和現金流量情況。在編製截至二零零五年十二月三十一日止年度的財務報表時，本公司董事已貫徹採用合適的會計政策；已作出審慎和合理的判斷和估算；並已按照持續經營的基準編製財務報表。本公司董事負責妥善保存會計記錄，以合理準確地披露本集團於任何時間的財務狀況。

## Corporate Governance Report 企業管治報告

The responsibilities of the Auditors to the shareholders are to form an independent opinion, based on the audit, on those financial statements and their opinion on the consolidated financial statements of the Group for the year ended 31st December, 2005 is set out in the Report of the Auditors on pages 50 and 51.

### Auditors' Remuneration

For the year ended 31st December, 2005, the amount paid to the Auditors in respect of the audit and non-audit services provided amounted to HK\$2,052,000 and HK\$13,000 respectively. The non-audit services provided were taxation services.

核數師對股東的責任是根據審核工作的結果，對該等財務報表發表獨立的意見，而彼等對本集團截至二零零五年十二月三十一日止年度綜合財務報表的意見載於第50及第51頁的核數師報告書中。

### 核數師的酬金

截至二零零五年十二月三十一日止年度，向核數師支付的審核和非審核服務費用分別為2,052,000港元和13,000港元。提供之非審核服務乃稅務服務。



*Tomson Group has made a donation to The Chinese University of Hong Kong for establishing non-local scholarships, namely "Tomson Group Scholarships", and for supporting the Hong Kong Mood Disorders Center of the Faculty of Medicine.*

湯臣集團捐款香港中文大學，以設立命名為「湯臣集團獎學金」之非本地生獎學金計劃，以及支持醫學院香港健康情緒中心。

### 企業公民責任

本集團致力於為社會福利作出貢獻，並不斷向全球各地及本地慈善機構作出捐款，其中包括用於提供人道援助、贊助兒童和教育用途等。

## CORPORATE CITIZENSHIP

The Group is committed to contribute to the well-being of the societies and keeps on making donations to various world-wide or local charitable organizations for, inter alia, humanitarian assistance, children sponsorship and education purposes.



In addition, the Group has arranged for a donation of HK\$3.5 million to The Chinese University of Hong Kong, of which HK\$2.5 million were used to establish non-local scholarships, namely “Tomson Group Scholarships”, for students from the mainland China and HK\$1 million were used to support the Hong Kong Mood Disorders Center of the Faculty of Medicine of the University for promoting research and public education on mood disorders.

The Company has also enrolled the “Heart to Heart Project” organized by The Hong Kong Federation of Youth Groups to sponsor service projects proposed by volunteer groups of those schools enrolled under the project so as to engage youth volunteers to serve the community for contribution to social development.

此外，本集團已安排向香港中文大學作出一項 3,500,000 港元的捐款，其中 2,500,000 港元用於為中國國內學生而設立的非本地生獎學金，名為「湯臣集團獎學金」，另 1,000,000 港元用於支持該大學醫學院香港健康情緒中心，以推動有關情緒病的學術研究和公眾教育的工作。

本公司亦參加了由香港青年協會舉辦的「有心計劃」，以資助參加了該計劃的學校義工團體建議的服務項目，讓青年義工服務社會，為社會發展作出貢獻。