

CORPORATE GOVERNANCE PRACTICES

The Board has adopted the key provisions of the Code of Corporate Governance Practices (the “CGP Code”) as set out in Appendix 14 to the Listing Rules, which provides guidelines to reinforce our corporate governance principles. Continuous efforts are made to review and enhance the Group’s internal control policy and procedures in light of local and international developments to instill best practices. The Company had complied throughout the year ended 30 June 2006 with all the code provisions of the CGP Code, except that the non-executive directors were not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the articles of association of the Company. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CGP Code.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as the code of conduct regarding directors’ securities transactions.

Having made specific enquiry of all directors of the Company, they have complied with the required standard set out in the Model Code for the year.

企業管治常規

董事會已採納載於上市規則附錄14之企業管治常規守則(「企業管治守則」)的主要守則條文，提供指引以穩固我們的企業管治原則。參考現時本地及國際的發展，致力檢討及優化本集團的內部監控政策與程序，逐漸灌輸最佳常規。本公司於截至二零零六年六月三十日止年間一直遵守企業管治守則的全部守則條文，惟非執行董事並無特定任期，但須根據本公司之公司組織章程細則規定於本公司股東週年常會上輪值告退及重選連任。因此，本公司認為該等條文足以符合企業管治常規守則有關條文之相關目標。

董事之證券交易

本公司已採納上市規則附錄10所載之上市公司董事進行證券交易的標準守則(「標準守則」)，作為董事進行證券交易之操守守則。

已向本公司所有董事作出特別諮詢，彼等於年度內一直遵守標準守則規定之標準。

BOARD OF DIRECTORS

Composition of the Board

The directors of the Company during the year and up to the date hereof are set out in the Directors' Report on page 40.

Board Meetings and Attendance

During the year, four board meetings were held. Mr. NG Ping Kin, Peter, Mr. LEUNG Wai Fung, Dr. WHANG Sun Tze, Mr. LO Kwong Chi, Clement, Mr. KWEK Leng Hai, Mr. TAN Lim Heng, Mr. James ENG, Jr., Mr. TSANG Cho Tai and Mr. HO King Cheung attended all four meetings. Mr. WHANG Tar Chong (personally or represented by his alternate director, Mr. YONG Weng Chye) and Mr. DING Wai Chuen attended three meetings. Mr. TAKAGI Shigeyoshi who resigned on 12 May 2006 (personally or represented by his alternate director, Mr. IKEDA Hiromi) attended two meetings. Mr. Matsumura Hirokazu who was appointed on 12 May 2006 (personally or represented by his alternate director, Mr. IKEDA Hiromi) attended one meeting.

Operations of the Board

The Board determines the corporate mission and broad strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. Decisions involving financial statements, dividend policy, material contracts and major investments and divestments are reviewed and subject to approval by the Board. Other main roles of the Board are to ensure that adequate internal control systems and management information systems are in place, including being in compliance with every aspect of provisions of applicable laws, regulations, rules, directives and guidelines to create value for its shareholders, to ensure that the Company has adequate management to achieve the Company's strategic objectives.

董事會

董事會組成

於本年度內及截至本日期，本公司董事會之成員已載於第40頁「董事會報告書」內。

董事會會議及出席率

於年度內，共舉行四次董事會會議。伍秉堅先生，梁偉峰先生，黃上哲博士，羅廣志先生，郭令海先生，陳林興先生，英正生先生，曾祖泰先生及何景祥先生出席四次董事會會議。黃大椿先生（親自或由其代行董事楊榮財先生代表）及丁偉銓先生出席三次董事會會議。高木茂佳先生在二零零六年五月十二日離任前（親自或由其代行董事池田浩已先生代表）出席兩次會議。松村宏一先生自二零零六年五月十二日獲委任起（親自或由其代行董事池田浩已先生代表）出席一次會議。

董事會的運作

董事會制定公司使命及主要的策略，監察和監控營運及財務的表現以及訂立適當的政策管理風險以達成集團的策略目標。有關財務報表，股息政策，重要合同及重大投資及撤資的決定均由董事會審閱及審批。董事會其他主要角色包括確保備有足夠的內部監控系統及管理資訊系統，其中包括遵守適用之法例，條例，規則，指令及指引的每項條文，使之為其股東創造財富，確保本公司有足夠的管理人員以達成本公司的策略目標。

BOARD OF DIRECTORS (continued)

Independence of the Independent Non-Executive Directors

The Company received confirmation of independence from each of the independent non-executive Directors for the year pursuant to Rule 3.13 of the Listing Rules. Up to and as at the date of this report, the Company still considers the independent non-executive Directors independent.

Relationship among the Members of the Board

The family relationship among the members of the Board are disclosed under “Directors’ Profile” on pages 23 to 29 of this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer are undertaken independently by Mr. WHANG Tar Choung and Mr. LEUNG Wai Fung respectively.

Mr. WHANG Tar Choung is primarily responsible for ensuring the efficient functioning of the Board, which focuses on the Group’s broad strategic direction and macro oversight of the management. Mr. LEUNG Wai Fung is responsible for the management of the Company in accordance with the strategies approved by the Board of Directors.

NON-EXECUTIVE DIRECTORS

The non-executive directors are not appointed for a specific term but their terms of office are subject to retirement by rotation and re-election at the annual general meetings in accordance with the Company’s articles of association.

董事會 (續)

獨立非執行董事的獨立性

於年度內，本公司獲得各獨立非執行董事根據上市規則第3.13條之要求確認其獨立身份。截至及於本報告書日期，本公司仍認同獨立非執行董事之獨立性。

董事會成員之間的關係

董事會成員之間的親屬關係已載於本年報第23頁至第29頁「董事簡介」內。

主席及行政總裁

主席及行政總裁的角色分別獨立地由黃大椿先生及梁偉峰先生擔任。

黃大椿先生主要負責確保董事會有效地運作，專注本集團之主要策略方向及宏觀監察管理層。梁偉峰先生負責根據經董事會制訂的策略管理本公司。

非執行董事

非執行董事並無特定任期，但須根據本公司之公司章程細則規定於本公司股東週年常會上輪值告退及重選。

REMUNERATION OF DIRECTORS

The Remuneration Committee (“RC”) was established on 1 July 2005 with written terms of reference made pursuant to the relevant provisions of the CGP Code. The terms of reference of the RC adopted by the Board are available on the Company’s website (www.lamsoon.com).

The RC comprises of Messrs. KWEK Leng Hai (Chairman), LO Kwong Chi, Clement and DING Wai Chuen, two of whom are independent non-executive directors of the Company.

The principal role of the RC is to make recommendations to the Board on the policy and structure for all remuneration of directors and senior management, and to determine the specific remuneration packages of the executive director and all senior management, including benefits in kind, pension rights and compensation payment, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of non-executive directors. The RC would also consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

During the year, three RC meetings were held, which were attended by all members. At these meetings, the remuneration packages of the executive director and senior management for the year were reviewed.

董事薪酬

薪酬委員會（「酬委會」）於二零零五年七月一日成立，並已根據企業管治守則所載之條文制定其書面職權範圍。董事會所採納的酬委會書面職權範圍已載於本公司網站內（www.lamsoon.com）。

酬委會由郭令海先生（主席），羅廣志先生及丁偉銓先生組成，其中兩位為本公司之獨立非執行董事。

酬委會的主要角色包括向董事會提供有關各董事及高級行政人員之酬金政策及架構的建議，及釐訂各董事及高級行政人員之酬金待遇，包括非金錢利益、退休金權利及賠償金額（包括喪失或終止職務或委任的賠償），並就非執行董事的薪金向董事會提出建議。酬委會亦會參考同類公司支付的薪酬、董事所需付出的時間及董事職責、本集團內其他職位的僱用條件及考慮是否應該按表現釐定薪酬。

於年度內，共舉行三次酬委會會議，全部成員均有出席。於該等會議上檢討執行董事及高級行政人員於年度內的薪酬待遇。

NOMINATION OF DIRECTORS

The Board is responsible for the selection and recommendation of candidates for directorship of the Company. Reference would be made to the skills, experience, professional integrity and time commitments of the proposed candidate, the Company's needs and other applicable statutory requirements. The Board would also review the size, structure and composition of the Board.

During the year, at one of the meetings of the board of directors, nomination of director to the Board was reviewed and discussed.

AUDITORS' REMUNERATION

For the year ended 30 June 2006, the external auditors of the Group charged approximately HK\$1,511,000 for annual audit service and there was no non-audit service rendered by the external auditors.

AUDIT COMMITTEE

The Board Audit Committee ("BAC") was established in December 1998 with written terms of reference. On 1 July 2005, the terms of reference were revised to align with the provisions under the CGP Code. The terms of reference of the BAC are available on the Company's website (www.lamsoon.com).

The BAC comprises of Messrs. NG Ping Kin, Peter (Chairman), LO Kwong Chi, Clement, TSANG Cho Tai and DING Wai Chuen, three of whom are independent non-executive directors of the Company.

董事提名

董事會負責挑選及推薦董事候選人，並參考被推薦的候選人的能力、經驗、事業誠信及所需付出的時間，本公司的需要及其他相關的法定的要求。董事會亦會檢討董事會的人數、架構和組成。

於年度內，其中一個董事會會議中檢討及討論董事會的董事提名。

核數師酬金

於截至二零零六年六月三十日止年度，本集團的外聘核數師所提供年度核數服務收費約為港幣1,511,000元，外聘核數師並無提供非核數服務。

審核委員會

董事會審核委員會（「董事會審核委員會」）於一九九八年十二月成立，並已制訂其書面職權範圍。該會之書面職權範圍已於二零零五年七月一日獲修訂，以與企業管治守則條文一致。董事會審核委員會的職權範圍已載於本公司網站內 (www.lamsoon.com)。

董事會審核委員會由伍秉堅先生（主席）、羅廣志先生、曾祖泰先生及丁偉銓先生組成，其中三位為本公司的獨立非執行董事。

AUDIT COMMITTEE (continued)

The BAC oversees the financial process and the adequacy and effectiveness of the Company's system of internal control. The BAC meets with the Company's external auditors and the internal auditors for their evaluations of the internal control system. It also reviews interests in contracts and connected transactions. The BAC reviews the financial statements of the Company and the consolidated financial statements of the Group and the auditors' report thereon and submits its views to the Board.

During the year, four BAC meetings were held, which were attended by all members. The following is a summary of the work performed by the BAC during the year:

- reviewed the adequacy and effectiveness of the Group's systems of internal control and enterprise risk management;
- reviewed the consolidated financial statements of the Group and results;
- reviewed the external auditors' report thereon;
- reviewed the appropriateness of the Group's accounting policies;
- reviewed at various times the potential impact of the generally accepted accounting principles in Hong Kong on the Company's accounts; and
- reviewed and recommended to the Board on the approval of the external audit fee proposal for the Group.

A statement by the external auditors on their reporting responsibilities is set out on pages 59 to 60 of the annual report.

The directors of the Company have acknowledged their responsibility for preparing the accounts for the year.

審核委員會 (續)

董事會審核委員會監察財務運作以及本公司的內部監控系統完善性及有效性。董事會審核委員會會見外聘核數師及內部核數師探討彼等對內部監控系統的評價。董事會審核委員會亦監控合同及關連交易之利益關係。董事會審核委員會審閱本公司的財務報表及本集團的綜合財務報表，以及附載的核數師報告書，並向董事會提交其意見。

於年度內，共舉行四次董事會審核委員會會議，全部成員均有出席。下列為董事會審核委員會於年度內的工作摘要：

- 檢討本集團的內部監控及企業風險管理的完善性及有效性；
- 審閱本集團的綜合財務報表及業績；
- 審閱附載的外聘核數師報告書；
- 檢討本集團的會計政策的合適度；
- 不時檢討香港普遍採納的會計原則對本公司的賬目之影響；及
- 檢討並向董事會建議本集團外部核數費用的方案。

外聘核數師對其報告責任的聲名已載於本年度報告書第59頁至60頁。

本公司之董事均已承認彼等對編製本年度賬目之責任。

INTERNAL CONTROL

The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss and manages rather than eliminates risks associated with its business activities.

The Board, recognising its responsibilities in ensuring sound internal controls, has developed a risk management framework for the Group to assist in:

- identifying the significant risks faced by the Group in the operating environment as well as evaluating the impact of such risks identified;
- developing the necessary measures for managing these risks; and
- monitoring and reviewing the effectiveness of such measures.

The Board has entrusted the BAC with the responsibility to oversee the implementation of the risk management framework of the Group. In discharging this responsibility, the BAC, assisted by the Group Internal Audit Department:

- periodically evaluates identified risks for their continuing relevance in the operating environment and inclusion in the risk management framework;
- assesses adequacy of action plans and control systems developed to manage these risks; and
- monitors the performance of management in executing the action plans and operating the control systems.

內部監控

內部監控系統旨在促進營運的有效性及效率、保護資產以免在未經授權下被使用及處理、確保有保存恰當的會計記錄以及財務報表的真實性及公平性，並確保遵守相關的法規及條例。其對重要錯誤陳述所提供的是合理，而非絕對的保證，以及管理而非排除商業活動之風險。

董事會確認其對穩健妥善的內部監控之責任，並已建立一個風險管理架構以協助本集團：

- 鑑定本集團在營運環境內之重大風險，同時分析該等風險的影響；
- 建立所需的措施以管理該等風險；
- 監察並檢討該等措施的有效性。

董事會已將監察風險管理措施的執行的責任託付董事會審核委員會。在履行這責任時，董事會審核委員會在集團審核部協助下：

- 定期衡量已識別的風險以確認其於營運環境內的持續相關性及應否包括在風險管理架構內；
- 評估管理該等風險的行動計劃及監控系統是否足夠；及
- 監察管理層在執行行動計劃及運作監控系統時的表現。

INTERNAL CONTROL *(continued)*

These on-going processes have been in place for the year under review, and reviewed periodically by the BAC.

The controls built into the risk management framework are intended to manage and not expected to eliminate all risks of failure to achieve business objectives but to provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

In the associated companies and jointly controlled companies, the Board nominates representatives to sit as directors and take a proactive stance in assessing the performance of the entity with the goal of safeguarding the investment of the Group. Where practical, the Group may request functional, financial and operating information as well as assurance that such information have been prepared in accordance with reporting standards and have been derived from control environments acceptable to the Group.

The Board, through the BAC, has conducted an annual review on the Group's internal control system and considers that it is adequate and effective. The Board is satisfied that the Group has fully complied with the code provisions on internal controls as set out in the CGP Code.

內部監控 *(續)*

這些都是於年度內現存的持續流程，並由董事會審核委員會定期檢討。

建於風險管理架構內的監控功能旨在管理，而不被視為可排除所有導致未能達成商業目標的風險，而是對管理及財務資訊或財務損失及詐騙的重要錯誤陳述提供合理而非絕對的保證。

於聯營公司及共同控制公司內，董事會推薦代表成為董事並採取積極的態度評估個體的表現，以達到保護集團的投資的目的。在可行情況下，本集團可索取機能、財務及營運資訊，並就該等資訊的申報標準及源自本集團認可的監控環境得到保證。

董事會已透過董事會審核委員會對本集團的內部監控系統進行年度檢討，並認為它是足夠且有效。董事會認為本集團已遵守載於企業管治守則內內部監控的全部條文。