

Corporate Governance Report

企業管治報告

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions laid down in the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Listing Rules throughout the year ended 31st December, 2006, except that (i) for code provision E.1.2, the chairman, Mr. Thomas Lau, Luen-hung was unable to attend the Company’s annual general meeting on 12th June, 2006 due to other commitment and (ii) for code provision A.4.1, in respect of service term of non-executive directors where non-executive directors are required to be appointed for a specific term and be subject to re-election. As at the date of 1st January, 2007, the Company complied with this code provision.

Under the provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The current non-executive director and independent non-executive directors of the Company are not appointed for a specific term. However, all non-executive directors of the Company are subject to retirement by rotation and re-election in accordance with the Company’s Articles of Association. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code. The Company will amend its Articles in the forthcoming AGM to the effect that every director shall be subject to retirement by rotation at least once every three years.

BOARD OF DIRECTORS

Members of the board of directors of the Company (the “Board”) are collectively responsible for overseeing the business and affairs of the Company and its subsidiaries (the “Group”) that aims to enhancing the Company’s value for stakeholders. Roles of the Board include reviewing and guiding corporate strategies and policies; monitoring financial and operating performance; ensuring the integrity of the Group’s accounting and financial reporting systems; and setting appropriate policies in managing risks of the Group.

The Board currently comprises a total of six members including two executive directors, one non-executive director and three independent non-executive directors, whose details are set out on pages 20 and 21. Members of the Board have different professional and industry experiences and background so as to bring in valuable contributions and advices for the development of the Group’s business. More than one-third of the Board is independent non-executive directors with a qualified accountant among them.

企業管治常規守則

本公司於截至二零零六年十二月三十一日止年度內一直遵守上市規則附錄14所載企業管治常規守則(「管治守則」)所訂守則條文，惟以下除外：(i)就守則條文第E.1.2條，主席劉鑾鴻先生因其他事務未能出席本公司於二零零六年六月十二日舉行之股東週年大會；及(ii)就守則條文第A.4.1條，有關非執行董事之服務任期，委任非執行董事須按指定任期及須予重選。於二零零七年一月一日，本公司已遵守此守則條文。

根據守則條文第A.4.1條，非執行董事須按指定任期委任，並須重選。本公司現任非執行董事及獨立非執行董事並無指定任期。然而，根據本公司之公司組織章程細則，本公司全體非執行董事均須輪值退任及重選。因此，本公司認為，已採取足夠措施確保本公司之企業管治常規守則不較管治守則所載者寬鬆。本公司亦將於應屆股東週年大會修訂其組織章程細則，以訂明各董事須每三年最少輪值退任一次。

董事會

本公司董事會(「董事會」)成員共同監督本公司及其附屬公司(「本集團」)業務及事務，旨在提升本公司為股東帶來的價值。董事會職責包括檢討企業策略及政策並作出指引；監管財務及營運表現；確保本集團會計及財務申報制度充足完備；以及制訂合適政策管理本集團風險。

董事會現由合共六名成員組成，包括兩名執行董事、一名非執行董事及三名獨立非執行董事，詳情載於第20及21頁。董事會成員具備不同專業及行業經驗及背景，能為本集團業務發展作出寶貴貢獻及意見。董事會超過三分之一成員為獨立非執行董事，其中一名為合資格會計師。

BOARD OF DIRECTORS (continued)

Directors have full access to accurate, relevant and timely information of the Group through management and are able to obtain independent professional advices on issues whenever deemed necessary by the directors.

Board members meet regularly to discuss strategies and business issues, including financial performance, of the Group. During the year, the Board held (4) meetings; and Board members can attend meetings in person or through electronic communications means in accordance with the Memorandum and Articles of Association of the Company. A record of the Directors' attendance at Board meetings is set out on page 19.

The roles of the chairman and the chief executive officer are segregated in order to reinforce their independence and accountability. Their respective responsibilities are clearly established and set out in writing. The Chairman leads the Boards workings and proceedings, while the Chief Executive Officer is responsible for implementing the Group's strategies and policies and for conducting the Group's businesses.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors ("INEDs"), an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

董事會 (續)

董事可透過管理層，全面取得本集團之準確、相關及最新資料，且可於彼等認為需要時取得獨立專業意見。

董事會成員定期會面，以商討本集團策略及業務，包括財務表現。年內，董事會舉行了4次會議，根據本公司之公司組織章程大綱及細則，董事會成員可親身或透過電子通訊方式出席。董事出席董事會會議之記錄載於第19頁。

主席及行政總裁之角色獨立區分以加強獨立性及問責性，而各自之職責已書面確立。主席領導董事會運作及程序，而行政總裁負責實行本集團策略及政策，以及進行本集團業務。

獨立非執行董事之確認書

本公司已接獲各獨立非執行董事（「獨立非執行董事」）根據上市規則第3.13條就確認彼等之獨立性發出之年度確認書。本公司認為全體獨立非執行董事均為獨立人士。

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一套不寬鬆於上市規則附錄10所載上市公司董事進行證券交易的標準守則（「標準守則」）所規定標準的操守準則。向全體董事作出明確查詢後，全體董事確認彼等已遵守標準守則及本公司就董事進行證券交易採納的操守準則所載標準規定。

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Group. With the assistance of the accounting department, which is under the supervision of the qualified accountant of the Company, the directors ensure that the financial statements of the Group have been properly prepared in accordance with statutory requirements and applicable accounting standards. The directors also ensure that the publication of the accounts of the Group is in a timely manner.

A report of the independent auditors on the Group's accounts is set out in this annual report.

INTERNAL CONTROL AND INTERNAL AUDIT

The Board acknowledges its responsibility in maintaining sound and effective internal control system for the Group to safeguard investments of the shareholders and assets of the Company at all times.

The system of internal controls aims to help achieving the Group's business objectives, safeguarding assets and maintaining proper accounting records for provision of reliable financial information. However, the design of the system is to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage rather than eliminate risks of failure when business objectives are being sought.

Management has conducted regular reviews during the Year on the effectiveness of the internal control system covering all material controls in area of financial, operational and compliance controls, various functions for risks management as well as physical and information system security.

Procedures have been designed for the business objectives, safeguard asset against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations.

董事對財務報表之責任

董事明瞭彼等編製本集團財務報表之責任。在由本公司合資格會計師督導的會計部門協助下，董事確保本集團財務報表根據法定規定及適用會計準則妥為編製，並依時刊發本集團賬目。

本年報載有獨立核數師對本集團賬目之報告。

內部監控及內部審計

董事會理解須負責為本集團維持穩健湊效之內部監控制度，隨時保障股東投資及本公司資產。

內部監控制度旨在協助本集團達致業務目標、保障資產及恰當存管會計記錄以提供可靠財務資料。然而，有關制度只為防止財務報表出現重大陳述錯誤或資產損失提供合理而非絕對保證，並管理而非消除實現業務目標時面對之失敗風險。

管理層於本年度定期檢討內部監控制度之成效，涵蓋財務、營運及守章方面之所有重大監管、風險管理各項職能以至實質及資訊系統保安。

本集團已就業務目標、保障資產遭非法挪用或處置、確保妥善存置賬簿及記錄以提供內部使用或刊發之可靠財務資料，以及確保遵循相關法例及法規制定多項程序。

Internal Audit Department has conducted an on going independent review on the effectiveness of the system of internal control and risk management of the Group and considers it to be adequate and effective. Reports on the effectiveness of the Group's internal control on difference areas had been submitted to the Audit Committee. It is noted that there is no significant areas of concern which may affect the effectiveness of the internal control system.

Throughout the year ended 31 December, 2006, the Board is satisfied that the Group has fully complied with the code provisions on internal control as set out in C.2.1 of the CG code.

內部審核部門持續獨立審閱本集團內部監控制度及風險管理之成效，並認為有關制度充足奏效。有關本集團就不同範疇之內部監控成效所作出報告，已提呈審核委員會審理。務請注意，並無重大範疇或會影響內部監控系統之成效。

截至二零零六年十二月三十一日止年度，董事會信納，本集團全面遵守管治守則第C.2.1條所載有關內部監控之守則條文。

AUDITORS' REMUNERATION

For the Year, the remuneration paid to the Company's auditors, Messrs Deloitte Touche Tohmatsu, is set out as follows:

核數師酬金

於本年度，應付本公司核數師德勤•關黃陳方會計師行之酬金載列如下：

Services rendered

所提供服務

		Fees paid/payable	
		已付／應付袍金	
		2006	2005
		二零零六年	二零零五年
		HK\$'000	HK\$'000
		港幣千元	港幣千元
Audit services	審計服務	628	673
Non-audit services (i.e. Professional Service)	非審計服務 (即專業服務)	140	-
		768	673

AUDIT COMMITTEE

The Company's Audit Committee was first established in December, 2002 and its terms of reference are available on the Company's website.

審核委員會

本公司審核委員會於二零零二年十二月成立，其職權範圍載於本公司網頁。

AUDIT COMMITTEE *(continued)*

The principal duties of the Audit Committee include reviewing the Group's financial reporting system, internal control procedures and risk management and maintaining good and independent communications with the management as well as external auditors of the Company. Its current members include:

Mr. Lee Tho Siem (Chairman of the Audit Committee)
Mr. Wang Jianguo
Dr. Loke Yu, alias Loke Hoi Lam
Mr. Wong Wing Sing

Three out of four members of the Audit Committee are the INEDs of the Company. Dr. Loke has appropriate accounting professional qualifications, and related financial management expertise as required under the Listing Rules. None of them is employed by or otherwise affiliated with former or existing auditors of the Company.

The Audit Committee held 2 meetings during the year. The minutes of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate. The attendance of each member is set out on Page 19.

During the year, the Audit Committee reviewed the Group's interim and annual report for the year ended 31 December, 2006 and the accounting principles and practices adopted by the Group. The Audit Committee also reviewed the adequacy and effectiveness of the Company's internal control system and made recommendations to the Board.

REMUNERATION COMMITTEE

The Company's Remuneration Committee was established in September, 2005 which comprises two independent non-executive directors, namely, Mr. Lee Tho Siem and Mr. Wang Jianguo and one Executive Director namely Mr. Kong Cheuk Luen, Trevor who chairs the Remuneration Committee. The terms of reference of the Remuneration Committee are available on the Company's website.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of directors and reviewing their specific remuneration package for Directors and senior management, including terms of salary, discretionary bonus scheme, benefits in kind, pension rights, compensation payments and other long-term incentive schemes by reference to market conditions, performance of the Group and the individual and corporate goals and objectives as set by the Board from time to time.

審核委員會 (續)

審核委員會主要負責審閱本集團之財務報告制度、內部監控程序及風險管理，並與管理層及本公司外聘核數師保持良好以及獨立的溝通。現任成員包括：

李多森先生 (審核委員會主席)
王健國先生
陸海林博士
黃永勝先生

審核委員會四名成員當中，有三名均為本公司獨立非執行董事。陸博士具備上市規則所規定適當的會計專業資格及相關財務管理知識。彼等概無受僱於本公司前任或現任核數師，或以其他方式與其有聯繫。

審核委員會於年內舉行兩次會議。審核委員會會議記錄已提呈董事會過目及採取適當行動。每名成員出席率載於第19頁。

年內，審核委員會已審閱本集團截至二零零六年十二月三十一日止年度之中期及年度報告與本集團所採納會計準則及慣例。審核委員會另審閱本公司內部監控制度是否充足奏效，並向董事會提供推薦意見。

薪酬委員會

本公司薪酬委員會於二零零五年九月成立，由兩名獨立非執行董事李多森先生及王健國先生與一名執行董事江爵煖先生組成，江爵煖先生為薪酬委員會主席。薪酬委員會之職權範圍載於本公司網頁。

薪酬委員會之主要職責包括就本公司有關董事薪酬之政策及結構向董事會作出建議，並參照市場狀況、本集團及個人表現以及董事會不時制定之企業目標及定向後，檢討董事及高級管理層之具體薪酬待遇，包括薪酬條款、酌情花紅計劃、實物利益、退休權利、薪酬付款及其他長期獎勵計劃。

REMUNERATION COMMITTEE (continued)

The Remuneration Committee held one meeting during the year. The minutes of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate. The attendance of each member is set out on Page 19. During the meetings, the committee members discussed the policy for the remuneration of Executive Directors and senior management, assessed the performance of Executive and approved the terms of Executive Directors' service contracts.

SHAREHOLDERS' RIGHTS

The Board and management shall ensure shareholders' rights and all shareholders are treated equitably and fairly. Pursuant to the Company's bye-laws, any shareholder entitled to receive notice of and to attend and vote at a general meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. Shareholders who hold not less than one-tenth of the paid up capital of the Company shall have the right, by written requisition to the Board, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Chairmen of the various Board committees, or failing the Chairmen, any member from the respective committees, must attend the annual general meetings of the Company to address shareholders' queries. External auditors shall also be invited to attend the Company's annual general meetings and are available to assist the Directors in addressing queries from shareholders relating to the conduct of the audit and the preparation and content of their auditor report.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company sees high quality reporting as an essential element in building successful relationship with the Company's shareholders. The information provided will not only comply with the different requirements in force but to provided additional information to enhancing communications with shareholders and the investment public. It is part of a continuous communication that encompasses meetings and announcements to the market as well as periodic written reports in the form of preliminary announcement of results and interim and annual reports.

The Company also maintains a corporate website on which comprehensive information of the Group are provided.

薪酬委員會 (續)

薪酬委員會於年內舉行一次會議。審核委員會會議記錄已提呈董事會過目及採取適當行動。每名成員出席率載於第19頁。會上，委員會成員討論執行董事及高級管理層之薪酬政策、評估行政人員表現及審批執行董事之服務合約條款。

股東權利

董事會及管理層須保障股東權利，且全體股東均獲得公平公正的對待。根據本公司之公司細則，任何有權接獲本公司股東大會通告、出席大會並於會上表決之股東，有權委聘另一名人士作為彼之受委代表，代彼出席及表決。持有不少於本公司繳足股本十分之一之股東，有權書面要求董事會就該項要求所訂明任何事宜召開股東特別大會。

各董事委員會主席，或如主席未能出席，則相關委員會之任何成員，必須出席本公司之股東週年大會解答股東提問。外聘核數師亦獲邀出席本公司之股東週年大會，從旁協助董事解答股東有關審核工作及核數師報告編製與內容之提問。

投資者關係及與股東溝通

本公司視良好報告制度為與本公司股東建立良好關係之關鍵。所提供資料除符合現行不同法律法規外，更可提供額外資料加強與股東及公眾投資者之溝通。本公司透過各項會議及市場公佈以及業績初步公佈與中期及年度報告等定期書面報告與股東及投資者持續溝通。

本公司亦設有公司網頁，提供本集團全面資料。

DIRECTORS' ATTENDANCE AT BOARD, AUDIT AND REMUNERATION COMMITTEES' MEETINGS

董事會、審核委員會及薪酬委員會會議之出席紀錄

		Board Meetings 董事會會議	Audit Committee Meetings 審核委員會會議	Remuneration Committee Meetings 薪酬委員會會議
Total number of meetings held during the year ended 31st December, 2006	截至二零零六年十二月三十一日止年度舉行之會議總數	4	2	1
Number of meetings attended:	所出席會議次數:			
Executive Directors	執行董事			
Thomas Lau, Luen-hung (resigned as Chairman on 15th December, 2006)	劉鑾鴻 (於二零零六年十二月十五日辭任主席)	2	-	-
Tsang Chiu Wai	曾昭偉	3	1	-
Kong Cheuk Luen, Trevor	江爵媛	4	2	1
Non-Executive Director	非執行董事			
Wong Wing Sing	黃永勝	4	2	-
Independent Non-Executive Director	獨立非執行董事			
Lee Tho Siem	李多森	4	2	1
Wang Jianguo	王建國	1	1	-
Loke Yu, alias Loke Hoi Lam	陸海林	4	2	-
External Auditors	外聘核數師	-	1	-