





Code on Corporate Governance Practices 企業管治常規守則

The Company strives to attain high standards of corporate governance for enhancing shareholder value and stakeholders interests. The corporate governance principles of the Company emphasis a quality board of directors, effective internal control, stringent disclosure practices, an ethical corporate culture and accountability to all stakeholders.

本公司致力達至高水平的企業管治，從而提升股東價值及所有利益相關者之權益。所採納的企業管治原則，是著重建立高質素的董事會、有效率的內部監控、嚴格的披露常規、高度操守的企業文化以及對所有利益相關者負責任。

Attendance Record for the Board and Board Committee Meetings in 2006

The number of Board and board committee meetings attended by each director for the year ended 31 December 2006

	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Executive Committee meetings
Number of meetings in 2006	4	2	2	4
Non-executive director				
Mr. Yang Ho Sung	2	1	n/a	n/a
Executive directors				
Mr. Yang Jai Sung	4	n/a	2	4
Mr. Kim Sun Cheol	4	n/a	n/a	4
Mr. Woo Nam Jin	4	n/a	n/a	4
Independent non-executive directors				
Dr. Kim Chung Kweon	4	2	2	n/a
Dr. Han Byung Joon	3	2	2	n/a
Mr. Kim Chan Su	4	2	2	n/a

Set out below are the summarised key components of corporate governance practices adopted by the Company.

THE BOARD OF DIRECTORS

The Company's overall management is vested in its board of directors (the "Board"), which up to the latest practicable date comprises eight members, coming from diverse businesses and professional backgrounds as shown in biographical details set out on pages 30 to 32 in this annual

report. The Board comprises non-executive director Mr. Yang Ho Sung (Chairman), executive directors Mr. Yang Jai Sung, Mr. Kim Sun Cheol, Mr. Woo Nam Jin and Mr. Lee Kyu Young, newly appointed on 17 April 2007, and independent non-executive directors Dr. Kim Chung Kweon, Dr. Han Byung Joon and Mr. Kim Chan Su.

The Board meets in person at least four times annually to review business development and overall strategic policies. The attendance record of individual board members during

the year set out in the above table.

To facilitate the operation of the Board, the Board has a schedule of matters reserved for its approval. The specific responsibilities reserved for the Board include: setting the Group's strategy and dividend policy, approving budgets, reviewing operational and financial performance, approving major investments and divestments, reviewing the Group's systems of internal controls, ensuring appropriate management development

二零零六年董事會及董事委員會會議之出席記錄

截至二零零六年十二月三十一日止年度各董事所出席董事會及董事委員會會議次數

	董事會 會議	審核委員會 會議	薪酬委員會 會議	執行委員會 會議
二零零六年會議舉行次數	4	2	2	4
非執行董事				
梁皓星先生	2	1	不適用	不適用
執行董事				
梁在星先生	4	不適用	2	4
金善哲先生	4	不適用	不適用	4
禹南珍先生	4	不適用	不適用	4
獨立非執行董事				
金正權博士	4	2	2	不適用
韓丙濬博士	3	2	2	不適用
金瓚洙先生	4	2	2	不適用

本公司所採納之企業管治常規之主要概要載列於下文。

董事會

本公司之整體管理由董事會（「董事會」）負責，至最後實際可行日期，董事會由八名成員組成，彼等擁有不同行業及專業背景，詳情請參見載於本年報30至32頁之履歷詳情。董事會

成員包括非執行董事梁皓星先生（主席）、執行董事梁在星先生、金善哲先生、禹南珍先生及李奎英先生（剛於二零零七年四月十七日獲委任），獨立非執行董事金正權博士、韓丙濬博士及金瓚洙先生。

董事會每年最少親身開會四次，以檢討業務發展及整體策略政

策。於回顧年度，個別董事會成員之出席記錄載於上列表內。

為方便董事會運作，董事會制定了一份項目清單並保留其決定權。董事會之指定責任包括：製定本集團整體策略及股息政策、通過預算案、檢討營運及財務表現、批准重大投資及出售項目、檢討本集團內部監控系統、確保

and succession plans in place, approving appointments of and remuneration policy for directors and other senior executives, approving corporate social responsibility policies and ensuring effective communication with shareholders.

For the financial reporting accountability, the Board has an ultimate responsibility for preparing the financial statements. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted; appropriate accounting policies have been used and applied consistently; and reasonable and prudent judgments and estimates have been made. Moreover, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

As part of good corporate governance practice, a number of board committees have been established. These committees include three corporate governance related committees

namely Executive Committee, Remuneration Committee and Audit Committee as well as an ad hoc Independent Board Committee for advising on matters in relation to the continuing connected transactions. Each committee operates within defined terms of reference; these terms of reference are posted on the Company's website at www.kse.com.hk. Board committees report regularly to the Board on their work and findings.

EXECUTIVE COMMITTEE

The Board has delegated certain authorities and responsibilities to the executive directors, including the development of strategic plans for consideration by the Board, implementation of the strategies and policies of the Group as determined by the Board, monitoring of the operating and financial results against plans and budgets, guiding the Company in various corporate affairs. The Executive Committee, formed by all the executive directors and chaired by the chief executive officer, meets from time to time when committee chairman requires.

During the review period, the Executive Committee met four

times with the attendance record of individual committee members set out in the table on page 20 of this report.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises three independent non-executive directors namely Dr. Han Byung Joon (Chairman), Dr. Kim Chung Kweon and Mr. Kim Chan Su, and one executive director namely Mr. Yang Jai Sung.

During the review period, the Remuneration Committee met twice with the attendance record of individual committee members set out in the table on page 20 of this report.

The committee's principal responsibilities are reviewing remuneration packages of directors and senior management and making recommendations to the Board on the remuneration structure. It also regularly reviews and guides the formulation of the Group's remuneration policy for directors and senior management attributable to performance-driven compensation commitment as well as market trend and industry norms.

有適當管理發展及延續計劃、通過委任董事及其他高級行政人員並釐訂彼等之薪酬政策、批准企業社會責任政策及確保與股東進行有效溝通。

就財務申報之問責性而言，董事會有編製財務報表之最終責任。在編製財務報表時，香港公認之會計準則已予採納，適當會計政策已予使用及貫徹應用，而合理及審慎之判斷和估算已予作出。此外，董事會並不知悉有任何重大不明確因素致使本集團持續經營之能力存在疑問。為此，董事會在編製財務報表時繼續採用持續經營基準。

作為良好企業管治之部份措施，本公司已成立多個董事會轄下委員會。該等委員會包括三個與企業管治有關的委員會，即執行委

員會、薪酬委員會和審核委員會，以及就持續關連交易提供意見之特設獨立董事委員會。每個委員會均按指定職權範圍操作；該等職權範圍載於本公司網站 www.kse.com.hk。董事委員會定期向董事會匯報彼等之工作及調查結果。

執行委員會

董事會已授出若干權力及責任予執行董事，包括發展策略性計劃以供董事會考慮、實施董事會決定之本集團策略及政策、監管營運表現及財務業績以對比計劃及預算中的情況，多方面指導企業事務。執行委員會由所有執行董事組成，並按委員會主席要求不時召開會議。

於回顧年度，執行委員會召開

了四次會議，個別委員會成員之出席記錄載於本報告第21頁之表內。

薪酬委員會

本公司薪酬委員會由三名獨立非執行董事韓丙濬博士（主席）、金正權博士與金瓚洙先生及一名執行董事梁在星先生組成。

於回顧年度，薪酬委員會召開了兩次會議，個別委員會成員之出席記錄載於本報告第21頁之表內。

該委員會之主要責任為檢討董事及高級管理層之薪酬組合及就薪酬架構向董事會作出建議。委員會定期開會檢討及指導本集團董事及高級管理層之薪酬政策之編製。薪酬政策乃根據與表現掛鉤之報酬承諾特性，並參考市場趨勢及行業慣例釐訂。

No director takes part in any discussion about his or her own remuneration.

During the review period, Remuneration Committee formulated and adopted the Group's employment policy, nomination policy, remuneration policy, training and development policy and communication policy and reviewed remuneration packages for directors and senior management.

NOMINATION OF DIRECTORS

The Company does not have a separate nomination committee. However, the nomination and appointment of new directors would be administered by the Remuneration Committee under the Company's adopted director nomination policy regarding the selection criteria and evaluation processes.

The policy's objective is to ensure that the Board is properly constituted with a balanced mix of skills, qualifications and experiences to meet its fiduciary obligations to the Company and its shareholders as well as to face the Company's current and emerging operating and strategic challenges and opportunities.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors namely Mr. Kim Chan Su (Chairman), Dr. Kim Chung Kweon and Dr. Han Byung Joon, and one non-executive director namely Mr. Yang Ho Sung.

During the review period, the Audit Committee met twice with the external auditors with no executive directors present. The complete attendance record of individual committee members set out in the table on page 20 of this report.

The committee's principal responsibilities are monitoring the integrity of financial reporting, reviewing the internal control and risk management systems, and reviewing the corporate governance of the Company.

During the review period, the Audit Committee reviewed the 2005 annual report and accounts as well as the 2006 interim report and accounts, had oversight of the financial reporting and audit processes, reviewed the Group's financial controls, internal control and risk management systems, agreed the scope of internal control

review for 2006, discussed internal control review report, conducted discussions with the external auditors on financial reporting, compliance, and reported all relevant matters to the Board.

AUDITORS

The financial reporting responsibilities of the auditors are set out on pages 54 to 55 of this annual report.

During the year ended 31 December 2006, the fees paid/payable to the auditors in respect of audit and non-audit services provided by the auditors to the Group were as follows:

Nature of services	HK\$'000
Audit services	625
Non-audit services	
Interim review	160
Taxation services	74

INDEPENDENT BOARD COMMITTEE

The Board is committed to seeking the best interests for the shareholders of the Company. To support this purpose, an ad hoc independent committee of the Board (the "Independent Board Committee") formed by Dr. Han Byung Joon, Dr. Kim

並無董事參與關於自己的薪酬之討論。

於回顧年度，薪酬委員會制訂及採納本集團之聘用政策、提名政策、薪酬政策、培訓及發展政策、溝通政策，並檢討董事及高層管理人員之薪酬待遇。

董事提名

本公司並無單獨存在之提名委員會。提名及委任新董事由薪酬委員會根據本公司之採納董事提名政策就甄選準則及評核過程而進行。

該政策之目標為確保董事會由具備不同技能、資格及經驗的人士均衡組成，從而向本公司及其股東履行其受委託之責任，以及面對現時及可能出現的營運及策略上的挑戰及機會。

審核委員會

本公司審核委員會由三名獨立非執行董事金瓚洙先生（主席）、金正權博士與韓丙濬博士及一名非執行董事梁皓星先生組成。

於回顧期內，審核委員會在並無執行董事參與的情況下與外聘核數師舉行了兩次會議。個別委員會成員之出席記錄載於本報告第21頁之表內。

委員會主要職責為監察本公司財務報告之完整性、檢討內部監控及風險管理措施及檢討本公司之企業管治。

於回顧年度，審核委員會已審閱二零零五年年報及賬目與二零零六年中期報告及賬目，並監察財務報告及審核程序、檢討本集團之財務監控、內部監控及風險管理系統及議定二零零六年內部監控檢討的範疇、討論內部核數報

告、與外聘核數師就財務報告、遵守規則進行商討，以及向董事會匯報所有相關事項。

核數師

核數師之財務申報責任載於本年報第54至55頁。

於截至二零零六年十二月三十一日止年度，就核數師向本集團提供核數及非核數服務之已支付/應付予核數師費用如下：

服務性質	千港元
核數服務	625
非核數服務	
中期審閱	160
稅項服務	74

獨立董事委員會

董事會致力確保本公司股東之最佳利益。為達此目標，本公司已成立特設獨立董事委員會（「獨立董事委員會」）成員包括韓丙濬博士、金正權博士及擔任主席

Chung Kweon and chaired by Mr. Kim Chan Su, would be responsible for reviewing matters in relation to the continuing connected transactions of the Group and advising comments on whether the transactions are fair, reasonable and in the interests of the Company and shareholders. All members of the Independent Board Committee are independent non-executive directors of the Company.

THE SEPARATE ROLES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The division of responsibilities between the Chairman of the Board, Mr. Yang Ho Sung, and the Chief Executive Officer, Mr. Yang Jai Sung, is clearly defined and has been approved by the Board. The Chairman provides leadership for the Board, ensures the effectiveness of the Board and oversees the corporate development; while the Chief Executive Officer, as head of the executive directorate, is responsible for managing the business development and strategic planning of the Group.

Their separate roles reinforce the continuous enhancement of the Group's corporate governance in terms of corporate fairness, transparency and accountability.

DIRECTORS AND DIRECTORS' INDEPENDENCE

There are no financial, business, family or other material/relevant relationship(s) among members of the Board except that Mr. Yang Jai Sung is the younger brother of Mr. Yang Ho Sung, while Mr. Kim Sun Cheol is Mr. Yang Ho Sung's brother-in-law.

The directors are given access to independent professional advice at the Group's expense, when the directors deem it is necessary in order for them to carry out their responsibilities.

The Board also advocates the participation of non-executive director and independent non-executive directors in board committees to safeguard objectivity and independence.

Non-executive directors are appointed for specific terms. Mr. Yang Ho Sung has his appointment with the Company as non-executive director renewed effective 1 March 2007 for another two years, and Dr. Kim Chung Kweon, Dr. Han Byung Joon and Mr. Kim Chan Su, have their appointments with the Company as independent non-executive directors renewed effective 11 October 2006 for another two years, all subject to retirement by rotation and

re-election of their directorship in the Company as set in the Company's Articles of Association.

The Company has received, from each of the independent non-executive directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive directors are independent.

INTERNAL CONTROLS

The Board is responsible for reviewing the effectiveness of the internal control system of the Group. The scope of the review is determined and recommended by the Audit Committee and approved by the Board annually. The review covers all material controls, including financial, operational and compliance controls and risks management functions. The internal control review function reports directly to the Chairman of the Audit Committee. Regular internal control review reports are circulated to the Audit Committee members and the Board in accordance with the approved scope.

之金瓚洙先生，專責檢討有關本集團持續關連交易之事宜，並就交易是否公平、合理及對於公司與股東是否有利益而提供意見。獨立董事委員會全部成員均為本公司獨立非執行董事。

區分主席及行政總裁職能

董事會主席梁皓星先生及行政總裁梁在星先生兩人之責任已清楚劃分，並已獲董事會批准。主席負責領導董事會、監察董事會之有效運作及監督企業發展；而行政總裁為執行董事之首，負責管理本集團業務發展及策略籌劃。

彼區分職能進一步提升以公平、高透明度及負責任為原則的企業管治。

董事及董事之獨立性

除梁在星先生為梁皓星先生之弟及金善哲先生為梁皓星先生之妻舅，董事會成員間並無財務、業務、家族或其他重大／相關關係。

倘董事認為必須尋求獨立專業顧問之意見以協助履行彼等之職責，有關費用由本集團支付。

董事會亦多鼓勵非執行董事及獨立非執行董事參與董事委員會，從而達致客觀性及獨立性。

非執行董事獲委以指定任期。梁皓星先生擔任本公司非執行董事之委任於二零零七年三月一日重續及生效，任期為兩年；金正權博士、韓丙濬博士及金瓚洙先生擔任本公司獨立非執行董事之委任於二零零六年十月十一日重續

及生效，任期均為兩年。彼等均須根據本公司章程細則輪值告退本公司董事職務及膺選連任。

本公司已接獲各名獨立非執行董事根據上市規則第3.13條就其獨立身份發出之確認書。本公司認為所有獨立非執行董事均屬獨立人士。

內部監控

董事會負責檢討本集團內部監控系統是否有效。檢討之範疇由審核委員會決定推薦，並每年由董事會批准。檢討涵蓋所有重大監控方面，包括財務、營運及遵例監控及風險管理功能。內部監控職能直接向審核委員會主席報告。根據已批准之範疇，定期將內部監控檢討報告傳送予審核委員會成員及董事會。

During the review period, the Audit Committee has kept under review the effectiveness of the internal control system and has reported regularly to the Board. The Audit Committee is satisfied that the internal control system maintained by the Group is sufficient to provide reasonable, but not absolute, assurance that the Group's assets are safeguarded against loss from unauthorised use or disposition, transactions are properly authorised and proper accounting records are maintained.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Company's internal control in the year of 2006, and the Board confirms that the provision C.2.1 of Code on Corporate Practices has been complied with and no finding of a material nature requires the attention of shareholders.

COMPLIANCE OF CORPORATE GOVERNANCE CODE

Throughout the review period, the Company has adopted and complied with all provisions as set out in the Code on Corporate Governance

Practices in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company, having made specific enquiry, confirms that all directors complied throughout the year with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The relevant employees who, because of their office in the Company, are likely to be in possession of unpublished price sensitive information, have been requested to comply with the provisions of the Model Code.

INVESTOR RELATIONS

The Board recognizes the importance of maintaining effective communications with shareholders. Annual reports and interim reports provide shareholders with comprehensive information of the Group's operational and financial performances; while general meetings offer

a platform for shareholders to state and exchange views with the Board directly.

The management communicates continually with analysts and institutional investors and provides them with up-to-date and comprehensive information regarding the Company's development. The Company practices timely dissemination of information and makes sure its website www.kse.com.hk contains the most current information, including annual reports, interim reports, announcements and press releases, and is updated in a timely manner to ensure transparency.

於回顧年度，審核委員會經常檢討內部監控系統之成效，並定期向董事會匯報。審核委員會滿意本集團實施之內部監控系統足以提供合理但非絕對之保證，保障本集團資產不因未授權使用或出售而蒙受虧損、交易已經適當授權及有保存適當會計記錄。

透過審核委員會，董事會於二零零六年內進行了本公司之內部監控系統成效之檢討。董事會確認本公司已遵守企業管治常規守則第C.2.1條，亦無重大性質之發現須知會股東。

遵守企業管治守則

於回顧期間內，本公司已採納並一直遵守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所有條文。

董事進行證券交易標準守則

本公司經具體查詢後確認，所有董事於年內均有遵守上市規則附錄十所載之董事進行證券交易的標準守則（「標準守則」）。而該等由於在本公司之職務而可能擁有未公開價格敏感資料之僱員已被要求遵守同樣之標準守則。

投資者關係

董事會重視與股東維持有效溝通。年報及中期報告向股東提供本集團營運及財務表現之詳盡

資料，而股東大會則提供平台讓股東表達意見及與董事會直接交換意見。

管理層持續與分析員及機構投資者溝通，並向彼等提供有關本公司發展之最新及詳盡之資料。本公司實行及時通佈資料之措施及確保其網站 www.kse.com.hk 載有最新資料，包括年報、中期報告、公告及新聞公佈，並經常更新以確保透明度。