

# Corporate Governance Report

## 企業管治報告

The Company is committed to good corporate governance principles. Its Board recognizes that an effective corporate governance framework and high governance standard are both essential to the Company's long-term development.

### CORPORATE GOVERNANCE PRACTICES

Throughout the year ended December 31, 2006 the Company applied the principles and complied with all code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, with the deviation mentioned below.

Provision A.4.1 of the CG Code provides that non-executive directors shall be appointed for specific term, subject to re-election. The Company has deviated from this provision in that all non-executive directors are not appointed for a fixed term, instead their tenure of office are subject to the provisions for retirement by rotation and re-election as provided in the Bye-laws of the Company as detailed in the paragraph headed "Non-executive Directors" below. The Company believes that the fixing of directors' tenure by Bye-laws and the shareholders' right to re-elect retiring directors serves to safeguard the long term interests of the Company, and such provisions are no less exacting than those in the Code.

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors. Following specific enquiry by the Company, all directors have confirmed that they have complied with the required standard as set out in the Model Code during the year.

### BOARD OF DIRECTORS

As at the date of this report the Board comprises four executive directors, one non-executive director and four independent non-executive directors. Biographical details of all directors of the Company are set out in the paragraph headed "Directors' Profile" on page 4 to page 5.

本公司致力於奉行高質素的企業管治，並認為有效的企業管治架構及高標準的企業管治對於公司長遠發展至關重要。

### 企業管治常規

截至2006年12月31日止年度整年間，除下述方面有所偏離外，本公司一直依循並遵守香港聯合交易所有限公司證券上市規則附錄14所載企業管治常規守則（「企業管治守則」）中所有守則。

守則條文第A.4.1條規定，非執行董事之委任應有指定任期，並須接受重新選舉。本公司並無遵守此條文，本公司所有非執行董事均無指定任期，惟彼等之任期乃根據本公司之公司細則條文規定，並須依照有關細則告退，詳情已載於下段之「非執行董事」一節內。本公司認為以公司細則制定董事任期而股東能保留重選連任董事之權利可保障本公司之長遠利益，而公司細則要求之企業管治常規並無較企業管治守則之規定寬鬆。

### 董事進行證券交易

本公司已採納上市規則附錄10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」）作為董事進行證券交易之操守準則。經過本公司作出特定查詢後，全體董事已確認彼等於年內均有遵守當中所要求之買賣標準。

### 董事會

於本報告日，本公司之董事會由4名執行董事、1名非執行董事及4名獨立非執行董事組成。所有董事之簡介已載於第4至5頁一節內。

## BOARD OF DIRECTORS (Continued)

Membership of the Board during the year ended December 31, 2006 were as follows:

### Executive Directors

Shum Siu Hung (*Chairman*)  
Chiu Sing Chung, Raymond (*Managing Director*)  
Shum Chun, Lawrence  
Cen Ziniu

### Non-executive Director

Wu Hong Cho (re-designated non-executive director on July 1, 2006)

### Independent Non-executive Directors

Cheung Kwan Hung, Anthony  
Young Wing Chun, Michael Frederick (resigned on June 30, 2006)

Ma Man Hoi, Joseph  
Chan Yuk Wai, Benedict (appointed on March 20, 2006)

Dr. Xu Mingshe (appointed on July 1, 2006)

Shum Siu Hung, Chairman, is the father of Shum Chun, Lawrence executive director of the Company and cousin of Cen Ziniu, executive director of the Company.

The Board is vested with the following roles and functions, and operational decisions and execution are delegated to the management:

- To establish the strategic direction for the development of the Company and to set the objectives of the management;
- To approve annual budgets, major funding proposals and investment proposals;
- To decide on matters such as annual and interim results, major transactions, directors appointment, dividend and accounting policies; and
- To oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance.

## 董事會(續)

於2006年12月31日止之年度內，董事會會員為：

### 執行董事

岑少雄(主席)  
趙承忠(董事總經理)  
岑瀾  
岑子牛

### 非執行董事

胡匡佐 (於2006年7月1日調任為非執行董事)

### 獨立非執行董事

張鈞鴻  
楊永燦 (於2006年6月30日辭任)

馬文海  
陳旭煒 (於2006年3月20日委任)

徐名社博士 (於2006年7月1日委任)

主席岑少雄先生，為本公司執行董事岑瀾之父及本公司執行董事岑子牛之堂兄。

承擔下列的角色及職責(營運決定及執行則委任於管理層)：

- 設立本公司的策略性發展方向及制定管理目標；
- 批准年度預算、主要籌資提案及投資提案；
- 決定如年度及中期業績、重大交易、董事之委任、及股息和會計政策等事宜；及
- 檢查用於評估內部監控、風險管理、財務報告及遵守情況充分性的程序。

## BOARD OF DIRECTORS (Continued)

With the assistance of the Company Secretary, Board meetings are initiated by the Chairman and all directors are consulted on the agenda. Procedures are established for all directors to have free access to board papers and related information, to review the Group's internal control, and to have the services of the Company Secretary to ensure matters are transacted in the Board in accordance applicable rules and practices. Directors may seek independent professional advice upon reasonable request to discharge their duties.

Proposed regular Board meeting schedule for the current year is circulated to the Board in the preceding year. The following table shows the attendance of directors at meetings of the Board during the year ended December 31, 2006:

## 董事會 (續)

董事會會議由主席領導(並由公司秘書協助)，會議議程先與各董事諮詢。所有董事均可根據已設立的程序索閱董事會文件及相關資訊，審閱集團之內部監控及取得公司秘書的協助，確保董事會程序均遵守所有適用的規則及規例。董事能在合理的要求下尋求獨立專業意見以履行其職責。

本年度擬定召開之董事會會議時間表已於前一年向董事會傳閱。下表顯示截至2006年12月31日止年度內各董事於董事會會議之出席紀錄：

Name of director	董事姓名	Number of Meetings Attended 出席會議次數
<i>Executive Directors and Non-executive Directors:</i>	<i>執行董事及非執行董事：</i>	
Shum Siu Hung (Chairman)	岑少雄 (主席)	4/4
Chiu Sing Chung, Raymond (Managing Director)	趙承忠 (董事總經理)	4/4
Shum Chun, Lawrence	岑濬	4/4
Cen Ziniu	岑子牛	4/4
Wu Hong Cho	胡匡佐	4/4
<i>Independent Non-executive Directors:</i>	<i>獨立非執行董事：</i>	
Cheung Kwan Hung, Anthony	張鈞鴻	4/4
Young Wing Chun, Michael Frederick	楊永燦	1/2
Ma Man Hoi, Joseph	馬文海	4/4
Chan Yuk Wai, Benedict	陳旭煒	3/3
Dr. Xu Mingshe	徐名社博士	2/2

## CHAIRMAN AND MANAGING DIRECTOR

The offices of Chairman and Managing Director of the Company are separated by written guidelines adopted by the Board to ensure a clear division of responsibilities. The responsibilities of the Chairman include leadership of the Board, providing relevant information and mobilizing the collective resources of the directors in the Board's roles and functions. The Managing Director is responsible for leadership of the management, and for effective execution of business strategies and front-line execution.

## 主席及董事總經理

本公司的主席及董事總經理之職位已區分，董事會並訂立了一項書面指引以確保主席及董事總經理之間有著清晰的職責分工。主席的職責包括董事會的領導、提供相關資訊，及調動董事的集體資源以便更佳發揮董事會的功能。董事總經理的職責包括管理層的領導，有效地實踐業務上的政策及於等一線推動業務。

## NON-EXECUTIVE DIRECTORS

As at the date of this report, five members of the Board are non-executive directors, of whom four are independent non-executive directors. The term of appointment of non-executive directors are governed by the Company's Bye-laws pursuant to which at each annual general meeting one-third of the Directors of the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.

The Company has received annual confirmation of independence from each of the independent non-executive directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive directors are independent within the definition of the Listing Rules.

## BOARD COMMITTEES

The Board has set up two Committees in accordance with the CG Code, namely the Remuneration Committee and the Audit Committee. The Board has not set up a Nomination Committee, the establishment of which is a recommended best practice by the Stock Exchange, and the function of nomination of new directors is undertaken by the full Board. Under the Company's Bye-laws, the Board has the power from time to time and at any time to appoint any person as a director either to fill a causal vacancy or as an addition to the Board, subject to authorization by the shareholders in general meeting. Such power is also exercised by the full Board in accordance with the Company's Bye-laws.

In addition to the Remuneration Committee and the Audit Committee, the Board has set up an Executive Committee comprising all executive directors on the Board. Under its terms of reference, the Executive Committee is responsible for the oversight of the management of the Group and the formulation of administrative guidelines.

## 非執行董事

於本報告日，董事會中有5位成員為非執行董事，其中4位為獨立非執行董事。非執行董事之任期均由公司的公司細則監管。公司細則規定本公司董事人數的1/3，或當人數非3或3的倍數時，則接近但不多於1/3的人數，需於每年的股東週年大會上告退，唯身為主席及／或董事總經理不須輪值告退，且並不計入計算輪值告退的董事人數內。

本公司已接獲每位獨立非執行董事根據上市規則第3.13條發出之年度獨立性確認書。董事會已評估彼等之獨立性，並確定全體獨立非執行董事均屬上市規則所界定之獨立人士。

## 董事委員會

董事會已按照企業管治守則設立了兩個委員會，分別為薪酬委員會及審核委員會。本公司並無參照聯交所建議的最佳常規設立提名委員會。本公司新董事的委任乃由董事會全體董事會負責。根據公司細則，當獲得股東大會授權後，董事會有權不時或在任何時候委任任何人士為董事以填補臨時空缺，或委任新增董事。該項權力按照公司細則由董事會全體董事會執行。

除薪酬委員會及審核委員會外，董事會亦成立了由董事會中的所有執行董事組成的執行委員會。執行委員會的職權範圍主要為監管集團管理層及制定行政指引。

## REMUNERATION COMMITTEE

The Company has adopted terms of reference for the Remuneration Committee that are in line with the principles of the CG Code. The Remuneration Committee comprises four independent non-executive directors and two executive directors as follows:

Cheung Kwan Hung, Anthony Ma Man Hoi, Joseph Chan Yuk Wai, Benedict	(appointed on March 20, 2006)
Dr. Xu Mingshe	(appointed on July 1, 2006)
Young Wing Chun, Michael Frederick Chiu Sing Chung, Raymond Shum Chun, Lawrence	(resigned on June 30, 2006)

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the executive directors and senior management. It takes into consideration on factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management. The Remuneration Committee meets at least once a year to assess the performance and review the annual salaries and bonus of the senior executives.

One meeting of the Remuneration Committee was held in the year 2006 to review, among other things, the remuneration packages of the Chairman and the executive directors and the attendance of each member is as follows:

Name of Member	成員姓名	Number of Meetings Attended 出席會議次數
Cheung Kwan Hung, Anthony (Committee Chairman)	張鈞鴻 (委員會主席)	1/1
Ma Man Hoi, Joseph	馬文海	1/1
Chan Yuk Wai, Benedict	陳旭煒	1/1
Dr. Xu Mingshe	徐名社博士	0/0
Young Wing Chun, Michael Frederick	楊永燦	1/1
Chiu Sing Chung, Raymond	趙承忠	1/1
Shum Chun, Lawrence	岑濬	1/1

## 薪酬委員會

本公司所訂定的薪酬委員會職權範圍，其內容與企業管治守則內所述的守則條文一致。薪酬委員會由如下的4位獨立非執行董事及2位執行董事組成：

張鈞鴻 (委員會主席) 馬文海 陳旭煒	(於2006年3月20日委任)
徐名社博士	(於2006年7月1日委任)
楊永燦	(於2006年6月30日辭任)
趙承忠 岑濬	

薪酬委員會負責確保正式及具透明度之薪酬政策制訂程序，以監管執行董事及高級管理層之薪酬組合。薪酬委員會考慮之因素包括可比較公司之薪金水平、各董事及高級管理人員所投入之時間及職責等。薪酬委員會每年最少舉行一次會議以評估表現及審閱高級管理人員每年之薪酬及獎金。

薪酬委員會於2006年度內召開1次會議，以審閱主席及執行董事之薪酬組合。每位成員之出席率如下：

## AUDIT COMMITTEE

The Company has adopted terms of reference for the Audit Committee that are in line with the principles of the CG Code. The Audit Committee comprises all independent non-executive directors on the Board as follows:

Cheung Kwan Hung, Anthony (Committee Chairman)	
Ma Man Hoi, Joseph	
Chan Yuk Wai, Benedict	(appointed on March 20, 2006)
Dr. Xu Mingshe	(appointed on July 1, 2006)
Young Wing Chun, Michael Frederick	(resigned on June 30, 2006)

The principal duties of the Audit Committee are to ensure the objectivity and credibility of financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

The Audit Committee met twice during the year 2006 during which the following matters were reviewed and discussed:

- Auditing and financial reporting matters;
- Appointment and remuneration of external auditors;
- Non-auditing work of external auditors;
- Maintenance of the Group's internal control system; and
- Review of interim results and audited financial statements.

Attendance of each member of the Audit Committee at meeting during the year is as follows:

Name of Member	成員姓名	Number of Meetings Attended 出席會議次數
Cheung Kwan Hung, Anthony (Committee Chairman)	張鈞鴻 (委員會主席)	2/2
Ma Man Hoi, Joseph	馬文海	2/2
Chan Yuk Wai, Benedict	陳旭煒	2/2
Dr. Xu Mingshe	徐名社博士	1/1
Young Wing Chun, Michael Frederick	楊永燦	1/1

## 審核委員會

本公司所訂定的審核委員會職權範圍，其內容與企業管治守則內所述的守則條文一致。審核委員會由所有獨立非執行董事組成如下：

張鈞鴻 (委員會主席)	
馬文海	
陳旭煒	(於2006年3月20日委任)
徐名社博士	(於2006年7月1日委任)
楊永燦	(於2006年6月30日辭任)

審核委員會主要職責為確保財務報告及內部監控程序之客觀性及可信度，以及與本公司外聘的核數師保持良好關係。

於2006年內審核委員會曾舉行兩次會議，以審閱及討論以下事項：

- 核數及財務報告事宜；
- 委任外聘核數師及決定其酬金；
- 外聘核數師之非審核工作；
- 維持本集團內部監控系統；及
- 審閱中期報告及已審閱之財務報告。

於年度內審核委員會每位成員出席次數如下：

## AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditors, Messrs. Deloitte Touche Tohmatsu is set out as follows:

Services rendered	服務提供	Fees paid/payable 已付／應付費用 (HK\$'000) 千港元
Audit services	審計服務	1,267
Non-audit services	非審計服務	112
Total	合計	1,379

## INTERNAL CONTROL

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The evaluation of the effectiveness of the Group's internal control is conducted by the internal auditor on an on-going basis who will directly report to the Audit Committee on any significant finding on internal controls.

Through out the year 2006, the Company complied with the code provisions on internal controls as stipulated in the CG Code. During the year the Company conducted a full review of the effectiveness of the internal control system of the Group and discussed the assessment bases with the management.

## ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Group and ensuring that the financial statements are in accordance with statutory requirements and applicable accounting standards. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on page 34.

## 核數師酬金

於回顧年度內，已付／應付予本公司核數師德勤•關黃陳方會計師行之費用如下：

## 內部監控

董事會需負責本集團的內部監控系統及檢討其效能。本公司的管理層已制定一套合適的政策、標準及程序，範圍包括運作監控、財務監控及風險監控，合理保證資產得到保護並免受未經授權的使用或處置；保持適當的會計紀錄；及確保財務資料的可靠性，以達致滿意程度的保證，防止欺詐或錯誤的情況出現。

評估本集團的內部監控由內部核數師按持續基準進行，並向審核委員會匯報有關內部監控的重要審閱結果。

在2006年整個期間，本集團遵守企業管治守則中所述的內部監控守則條文。年內，本公司已為內部監控系統的有效性進行全面審閱，並與管理層商討評估基礎。

## 責任承擔及核數

董事局確認編製本集團之財務報表，並確保財務報表符合法定要求及有關之會計準則為董事局之職責。外聘核數師之申報職責載述於本年報第34頁獨立核數師報告內。