

Corporate Governance Report

Commitment to transparency

The board of directors of the Company (the “Board”) recognizes the importance of and benefit from good corporate governance practices. Since its listing of the shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in April 2004, the Company has adopted certain corporate governance and disclosure practices that aim to create a high level of transparency and corporate culture within the group. The Company commits to continuously improving its corporate governance practices as part of its own corporate culture.

Code on Corporate Governance Practices

The Company has complied with the code provisions laid down in the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the year ended 31st December, 2005 (the “Year”), except that (i) for code provision E.1.2, the Chairman of the Board, Dató Dr. Cheng Yu-tung, was unable to attend the Company’s annual general meeting on 28th April, 2005 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.

In order to comply with code provision A.4.1, starting from 1st March, 2006, appointments of all non-executive directors are with a specific term and that relevant amendments in the Articles of Association of the Company will be made to effect such changes so that non-executive directors are subject to retirement by rotation at least once every three years.

The Board and Board Process

Members of the Board are collectively responsible for overseeing the business and affairs of 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.

企業管治報告 提高企業透明度

本公司董事局（「董事局」）深明良好企業管治常規的重要性及好處。自公司股份於二零零四年四月在香港聯合交易所有限公司（「聯交所」）上市以來，本公司採納若干企業管治及披露常規，旨在提高透明度及提升集團之企業文化。本公司承諾繼續改善企業管治常規，使其成為企業文化的一部分。

企業管治常規守則

本公司於截至二零零五年十二月三十一日止年度（「本年度」）一直遵守聯交所證券上市規則（「上市規則」）附註14 所載企業管治常規守則（「管治守則」）之守則條文，惟(i)董事局主席拿督鄭裕彤博士因其他事務未能出席本公司於二零零五年四月二十八日舉行之股東週年大會而與守則條文第E.1.2條有所偏離；及(ii)有關非執行董事服務任期與守則條文第A.4.1條有所偏離，而有關條文規定非執行董事須有指定任期及膺選連任。

為符合守則條文第A.4.1條的要求，自二零零六年三月一日起，所有非執行董事的委任均有指定任期，而本公司之組織章程細則將作出有關修訂，致使非執行董事須最少每三年輪值退任一次。

董事局及董事會議程序

董事局成員共同負責監察本集團業務及事務，務求提升本公司為股東帶來的價值。董事局職責包括審閱及領導執行公司策略及政策；監察財務及營運表現；確保本集團會計及財務報告制度之完備性；及制定本集團風險管理之合適政策。



The position of the Chairman of the Board and the Managing Director are held by separate individuals and they play different and distinctive roles. While the Chairman is responsible for setting and leading the overall strategic planning and development of the Group's business, the Managing Director is responsible for implementing the Group's business strategies and monitoring and supervising the Group's overall activities in order to achieving the overall business objectives. The Board is responsible for reviewing, evaluating and finalizing the Group's strategies and policies, annual budgets, business plans and performance through regular discussion on key and appropriate issues in a timely manner. With the supports of Executive Directors, the Chief Financial Officer ("CFO") and the Company Secretary, all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner for making decision.

The Board currently comprises a total of ten members including two Executive Directors, four Non-executive Directors and four Independent Non-executive Directors. 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.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

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, there were two physical board meetings and four in the form of full board circulation. Starting from 2006, regular quarterly meetings have been scheduled for the Board; 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.

本集團董事局主席及董事總經理乃由不同人士出任，而彼等履行之職責明顯有所區分。主席負責制定及領導本集團業務發展的整體策略規劃，而董事總經理則負責執行本集團業務策略及監察與監督本集團整體業務，務求達到整體業務目標。透過就重大及合適事項定期討論，董事局負責審閱、評估及落實本集團策略及政策、年度預算案、業務計劃及表現。在執行董事、財務總監及公司秘書之協助下，全體董事將可迅速取得足夠而可靠的資料就董事局會議中提出之事項作出決策。

本公司董事局由合共十名成員組成，其中包括兩名執行董事、四名非執行董事及四名獨立非執行董事。董事局成員擁有不同專業、行業經驗及背景，可為本集團業務發展帶來寶貴貢獻及意見。超過三分之一董事局成員為獨立非執行董事，其中一人為合資格會計師。

各獨立非執行董事已根據上市規則第3.13條作出年度獨立身分的確認。本公司認為，全體獨立非執行董事符合上市規則第3.13條所載的獨立指引，而根據有關指引條款，彼等屬獨立人士。

董事可以隨時向管理層索取所有有關本集團準確、相關及最新的資料。董事於認為有需要時亦可就相關事項諮詢獨立專業意見。

董事局成員會定期會面，討論本集團策略及財務表現等業務事宜。於本年度，董事局曾舉行兩次實際董事局會議及四次全體成員傳閱。自二零零六年起，董事局將定期每季舉行會議。根據本公司之組織章程大綱及細則，董事局成員可親身或以電子通訊方式出席會議。

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all the relevant requirements as set out in the Model Code during the Year.

Directors’ Responsibility for the Group’s Financial Reporting

The Directors are responsible for the preparation of financial statements of the Group which give a true and fair view, and are prepared in accordance with the relevant statutory requirements and applicable accounting standards in force, and are published in a timely manner. The Directors are responsible for selecting and applying on a consistent basis suitable accounting policies and ensuring timely adoption of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards.

The Board understands the importance of presenting a clear and comprehensive assessment of the Group’s overall performance, financial positions as well as prospects in a timely manner; and the Board is pleased to report that, so far, the annual and interim results of the Group are announced within the 4 months and 3 months limit respectively after the end of the relevant periods.

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 systems security. The

證券交易的標準守則

本公司已採納上市規則附錄10所載上市公司董事進行證券交易的標準守則（「標準守則」）作為其有關董事進行證券交易的操守準則。經向全體董事作出具體查詢後，董事確認，彼等於本年度均已遵守標準守則所載所有有關規定。

董事對本集團財務報告之責任

董事須負責根據有關法定規定及適用之會計準則編製真實公平之本集團財務報表，並適時刊發。董事負責選擇及貫徹應用合適之會計政策，並確保適時採納香港會計準則及香港財務報告準則。

董事局深明按時呈報有關本集團整體表現、財務狀況及前景作清晰而全面評估的重要性；而董事局欣然報告，本集團全年及中期業績分別於有關期間結束後四個月及三個月內作出公布。

內部監控及內部審核

董事局知悉其有責任維持本集團良好及有效之內部監控制度，使本公司股東的投資及公司資產在任何時間均得到保障。

內部監控制度旨在幫助本集團達致業務目標、保障資產及提供可靠財務資料及維持良好會計記錄。然而，有關制度只為提供合理而非完全防止財務報表出現重大陳述錯誤或資產損失提供保證，並對業務風險進行管理而非消除有關風險。

於本年度，管理層定期檢討內部監控制度之有效性，包括重大的財務、營運及守章監控風險管理工作以及實際及資訊系統保安。財務總監於本年度曾三次向審核

CFO has reported to the Audit Committee three times during the Year, in conjunction with key findings identified by the external auditors, findings and actions or measures taken in addressing those internal controls. The Audit Committee in turn reports any material issues to the Board.

The Board, through the Audit Committee, also sets targets for and reviews plan and progress on continuous improvement work of the Company's internal control system with the CFO on a periodic basis.

There is currently no internal audit function within the Group that is separate and independent from the Group's finance team. The finance team assumes also responsibility for conducting regular review of internal control procedures, including accounting system and procedures. Although this arrangement can be improved, management is not concerned with the lack of segregation of duties having assumed the current organizational structure, lines of responsibility and authority of the management team and the risks associated with the operations of the Group. However, the management is reviewing the need to set up an independent internal audit function.

External Auditors

The Report of the Auditors of the Company, Deloitte Touche Tohmatsu, in respect of the audit of the Group's financial statements for the Year is set out on page 50 of the annual report. The Board takes steps in ensuring continuing auditors' objectivity and independence.

For the Year under review, the auditors of the Company received approximately HK\$2.45 million in respect of audit service provided to the Group.

Audit Committee

The Company's Audit Committee was first established in April 2004 and its terms of reference are available on the Company's website.

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.

During the Year under review, the Audit Committee held three meetings for which three out of the four Independent Non-executive Directors had 100% attended all meetings while the other one had 67% attendance.

The Group's annual report for the Year has been reviewed by the Audit Committee.

委員會匯報有關就內部監控的問題(包括外聘核數師提出的主要核數發現),並提出改善行動或措施。審核委員會亦就重大事項向董事局報告。

透過審核委員會,董事局亦與財務總監就持續改善本公司內部監控制度訂定目標,並定期檢討計劃及進度。

本集團現時並無獨立於本集團財務隊伍之內部審核功能,財務隊伍兼負責定期審閱內部監控程序,包括會計制度及程序。儘管此安排可以改善,在評估現行組織架構、管理層之職責與權力的分工以及本集團業務所涉及的風險後,管理層對有關工作沒有獨立進行並不擔憂。然而,管理層現正檢討成立獨立內部審核部門的必要性。

外聘核數師

本公司核數師德勤•關黃陳方會計師行有關審核本集團本年度之財務報表之報告載於年報第50頁。董事局亦採取步驟,確保核數師繼續保持客觀及獨立。

於回顧年度,本公司核數師就向本集團提供核數服務收取約2,450,000港元的費用。

審核委員會

本公司於二零零四年四月首次成立審核委員會,其職權範圍已於本公司網站刊載。

審核委員會之主要職責包括審閱本集團財務報告制度、內部監控程序及風險管理,並與管理層以及本公司外聘核數師保持良好及獨立的溝通。

於回顧年度,審核委員會曾舉行三次會議,四名獨立非執行董事中三人出席所有會議,其餘一人之出席率則為67%。

本集團本年度之年報已由審核委員會審閱。

The Audit Committee of the Company comprises four Independent Non-executive Directors, namely, Mr. Lam Siu-lun, Simon (Chairman of the Audit Committee), Mr. Cheung Yuet-man, Raymond, The Hon. Shek Lai-him, Abraham and Mr. Hui Chiu-chung. Mr. Lam is a certified public accountant.

Remuneration Committee

The Company's Remuneration Committee was established in August 2005 which comprises three Independent Non-executive Directors, namely, Mr. Lam Siu-lun, Simon, The Hon. Shek Lai-him, Abraham and Mr. Hui Chiu-chung and one executive director namely Mr. Lau Luen-hung, Thomas 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 senior management, and reviewing their specific remuneration package 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.

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 provide 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.

Regular meetings are also held with institutional investors and research analysts to provide them the Group's latest business development and non-price sensitive information. These activities keep the public aware of the Group's activities and foster effective communication.

本公司審核委員會由四名獨立非執行董事組成，包括林兆麟先生（審核委員會主席）、張悅文先生、石禮謙議員及許照中先生。林先生為執業會計師。

薪酬委員會

本公司於二零零五年八月成立薪酬委員會，成員包括三名獨立非執行董事，分別為林兆麟先生、石禮謙議員及許照中先生以及擔任薪酬委員會主席之執行董事劉鑾鴻先生。薪酬委員會之職權範圍已刊載於本公司網站。

薪酬委員會之主要職責包括就本公司有關董事及高級管理層薪酬之政策及架構向董事局提出推薦意見，並經參考市場情況、本集團及個人表現及董事局不時制定之企業目標後對具體薪酬待遇作出檢討。

投資者關係及與股東之溝通

本公司認為高質素的通訊為與股東成功建立關係之重要元素。所提供資料不單符合不同的法律法規，亦提供額外資料以加強與股東及公眾投資者之溝通。持續的溝通包括舉行會議及向市場作出公布，包括以初步業績公布以及中期報告及年報方式定期刊發報告書。

本公司亦設有公司網站，提供有關本集團之全面資料。

此外，本公司定期與機構投資者及證券分析員會面，以提供有關本集團業務之

最新發展及非股價敏

感性資料。該等活動

可讓大眾得知本集

團業務狀況，並

促進有效溝通。

