

Corporate Governance Report

企業管治報告

The Group believes in the principle that maintaining a high standard of corporate governance benefits all stakeholders, investors, and is good for its business.

Commitment to Transparency

Our Board emphasizes in creating and maintaining a high level of transparency through timely disclosure of relevant information on our activities to our shareholders, investors, media and investment public, through regular press releases, analysis's briefings, press conferences, as well as timely updating of website, availability of designated investor relationship agent to handle enquiries apart from our annual and interim reports. And, our Executive Directors, Chief Financial Officer ("CFO"), Company Secretary as well as General Manager, who looks after our business operation, are all committed to response to enquiries from shareholders, publics and business partners.

Commitment to Good Corporate Governance Practices

Our management commits to good corporate governance practices as our corporate culture. We instill this corporate culture into our internal procedures and control structures, which are supervised and headed by our Board of Directors and its various committees. All efforts and measures are aimed at improving the quality and standards of governance practices for greater accountability towards our stakeholders and the public.

For full compliance of 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"), the Company had effected the amendment of its Articles of Association on 1st March, 2006, so that, as in compliance with the code provision A.4.1., all our Non-executive Directors are appointed subject to retirement by rotation, under a specific term of at least once every three years. Hence, throughout the year under review, the Group had complied with all the code provisions of the CG Code.

本集團相信維持高企業管治水平可讓全體股東及投資者受惠，並對其業務有重大裨益。

提高企業透明度

除本公司年報及中期報告外，本公司董事局著重透過定期報章公佈、分析簡介、記者招待會、即時更新網站及指派投資關係代理處理查詢，適時向股東、投資者、媒體及公眾投資人士披露業務相關資料，以締造及維持高透明度。此外，執行董事、財務總監、公司秘書及負責業務運作的總經理均樂意對股東、公眾人士及業務夥伴提出之查詢作積極回應。

遵守良好企業管治常規

本公司管理層致力以良好企業管治常規作為本公司企業文化。本公司將有關企業文化注入由董事局及各委員會監督及領導之內部程序與監控架構。所有努力及措施旨在改善管治常規之質素及標準，以向股東及公眾人士承擔責任。

為全面遵守聯交所證券上市規則（「上市規則」）附錄14所載企業管治常規守則（「企業管治守則」），本公司於二零零六年三月一日修訂其組織章程細則，致使根據守則條文第A.4.1條，全體非執行董事均按特定任期委任，且最少每三年輪值告退一次。因此，於整個回顧年度，本集團一直遵守企業管治守則所有守則條文。

The Board and Board Process

All executive members of the Board are responsible for reviewing, evaluating and finalizing the Company's strategies and policies, annual budgets, business plans and performance, and all board members have full access to and are provided with adequate, reliable and timely information on the Group and its operation so as to enable them to make a timely decision. Such information or analysis can be accessed directly through or are available either through briefing and reporting by the Executive Directors, the CFO, the Company Secretary and Senior Management. Access to independent professional and legal advice on issues is all time available to all Board members whenever they consider it necessary.

Currently our Board is comprised two Executive Directors, four Non-executive Directors and four Independent Non-executive Directors. Each one of them has different professional and industrial experience, which enable them to make valuable and diversified advice and guidance to the Group's activities and development. Within the Board, more than one-third of the members are Independent Non-executive Directors with one of whom being a qualified accountant as well.

Our Board members meet on a regular basis to discuss strategic and main business issues, and to evaluate the financial performance of the Group. During the Year, there were four physical full board meetings, a physical meeting for our Remuneration Committee, two Audit Committee meetings, and four full Board written consents.

Regular quarterly board meetings were arranged for full reviews of the Group's activities, financial performance and data. In our Regular Board meetings, Directors discussed and reviewed the Group's operations, its activities, future directions, financial performance, budgeting, control and relevant matters having been identified by the Directors. Board members attended either in person or through telephone conferencing as in accordance with provision in the Company's Articles of Association. Additional board meetings will be organized upon request and demand by Directors. Our Company Secretary will ensure the proper convening and conducting of the Board meetings, with relevant information and material be provided to the Directors in a timely manner before the meetings.

董事局及董事會議程序

董事局全體行政成員負責審閱、評估及落實本公司策略及政策、年度預算案、業務計劃及表現，而董事局全體成員均可全面取得及獲提供有關本集團及其營運之足夠而可靠的最新資料，以便彼等作出適時決策。透過由執行董事、財務總監、公司秘書及高級管理層簡單匯報及報告，可直接取得或獲提供有關資料或分析。董事局全體成員可於彼等認為有需要時隨時就有關事項諮詢獨立專業及法律意見。

董事局現時由兩名執行董事、四名非執行董事及四名獨立非執行董事組成。董事局各成員擁有不同專業及行業經驗，可為本集團業務及發展帶來寶貴貢獻及提供不同意見與指引。超過三分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。

董事局成員會定期會面，討論策略及主要業務事宜，並評估本集團之財務表現。於本年度，董事局曾舉行四次董事局全體成員會議、一次薪酬委員會會議、兩次審核委員會會議以及四次透過董事局全體成員書面決議。

董事局定期每季舉行會議，以全面審閱本集團業務、財務表現及數據。於定期董事局會議中，董事商討及審閱本集團營運、其業務、未來方向、財務表現、財政預算、監控及經董事確定之相關事宜。根據本公司之組織章程細則條文規定，董事局成員可親身或以電話會議方式出席會議。本公司亦將應董事要求另行舉行董事局會議。公司秘書將確保正式召開及舉行董事局會議，並將於舉行會議前適時向董事提供相關資料及材料。



Selection

Responsibilities of Members of the Board

The Chairman of the Group is responsible for setting and leading the overall strategic plan and development of the Group; whereas, our Managing Director is responsible, in addition to assisting in setting the Group's strategic planning, for implementing the Board decisions, monitoring and supervising the Group's overall performance, ensuring adequate capital and managerial resources to implement the business strategies adopted, setting out and monitoring targets, plans and direction for the senior management, reporting to the Board on the Group's overall performance and proposing business plans and future strategic directions for the Board to evaluate and to conclude. We have distinctive and different roles for our Chairman and Managing Director. Other Board member would separately and jointly review and discuss various key issues and put forward directions and suggestions to the Board.

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

Directors' Responsibility for the Group's Financial Reporting

Our Directors are responsible to ensure the preparation of financial statements of the Group are prepared in accordance with the relevant statutory requirements and applicable accounting standards in force, and to ensure that the published financial statements should be in a timely manner and can provide a true and fair view of the business and financial information of our Group. Our Directors are responsible to ensure adequate financial systems and controls are properly applied to and reflected in the Group's financial reporting.

Our CFO is responsible to select and conclude with the Board, and to timely apply, on a consistent basis, suitable accounting policies of the Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards in our financial reporting. Thus, the Group's financial statements are prepared in accordance with the Listing Rules, regulations, accounting principles and practices generally accepted in Hong Kong under a consistence and reasonableness approaches. And our Directors have reviewed and concluded the proper adoption of the aforesaid requirements.

董事局成員之責任

本集團主席負責制定及領導本集團整體策略規劃及發展，而董事總經理除協助制定本集團的策略規劃外，亦負責執行董事局決策、監察與監督本集團整體表現、確保具備充裕資金及管理資源執行所採納業務策略、為高級管理層制定及監察目標、計劃及方向、就本集團整體表現向董事局匯報以及提呈業務計劃及日後策略方向以供董事局評估及總結。本公司主席及董事總經理履行之職責明顯有所區分。其他董事局成員則各自及共同審閱及商討各項主要事項，並向董事局提供指示及建議。

根據上市規則第3.13條，各獨立非執行董事已作出年度獨立身分確認。本公司認為，全體獨立非執行董事均符合上市規則第3.13條所載獨立身分指引，而根據有關指引條款，彼等均屬獨立人士。

董事對本集團財務報告之責任

董事須負責確保根據有關法定規定及適用有效會計準則編製本集團財務報表，並確保適時刊發財務報表，且就本集團業務及財務資料提供真實公平之意見。董事負責確保本集團財務匯報妥為應用及反映適當財務制度及監控。

財務總監負責與董事局就本集團財務申報選用及訂立並適時貫徹應用香港會計準則及香港財務報告準則之合適會計政策。因此，本集團之財務報表乃根據上市規則、規例、香港普遍採納的會計原則及慣例合理且貫徹一致編製。董事審閱及總結妥為採納上述規定。

The Board understands and emphasizes the importance of presenting a clear and comprehensive assessment of the Group's overall performance, financial positions and prospects to the stakeholders and investment public in a timely manner. All our annual and interim results have been announced within the four-month and three-month limits, respectively, after the end of the relevant periods.

Model Code for Securities Transactions

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct in regarding to our Directors' securities transactions on the Company's shares.

Specific enquiries were made to all Directors about their securities transactions, and all of them have confirmed that they have complied with all the relevant codes and requirements as set out in the Model Code adopted during the Year.

Control Mechanisms

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

Internal Control and Internal Audit

The system of internal controls aims to help achieve the Group's business objectives, safeguard assets and maintain proper accounting records for provision of reliable financial information. The system is designed 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 factors related to financial, operational and compliance controls, various functions for risk management and physical and information systems security. The CFO has reported in Audit Committee meetings during the Year, in conjunction with key findings identified by the external auditors, findings and actions or measures taken in addressing those findings relating to the Group's internal controls. No material issue during the Year has been reported to the Board by the Audit Committee.

董事局深明及強調按時向股東及公眾投資者呈報就本集團整體表現、財務狀況及前景作清晰而全面評估的重要性。本集團所有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佈。

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」）作為其有關董事就本公司股份進行證券交易的操守準則。

經就證券交易向全體董事作出具體查詢後，彼等確認，彼等於本年度均已遵守所採納標準守則所載所有有關守則及規定。

監控機制

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，使股東投資及本公司資產在任何時間均得到保障。

內部監控及內部審核

內部監控制度旨在幫助本集團達成業務目標、保障資產及維持良好會計記錄以提供可靠財務資料。有關制度乃為避免財務報表出現重大錯誤陳述或資產損失提供合理而非絕對保證並管理而非消除業務風險而設。

於本年度，管理層定期檢討內部監控制度之效能，該制度涵蓋一切有關財務、營運及守章監控、風險管理工作以及實際及資訊系統保安等重要因素。財務總監於本年度曾在審核委員會會議匯報有關內部監控之結果，連同外聘核數師提出的主要發現以及就有關本集團內部監控之發現所採取行動或措施。審核委員會於本年度並無向董事局報告任何重大事項。

The Board also sets targets for and reviews plans and progress on continuous improvement work of the Company's internal control system, working in conjunction with the CFO and the Audit Committee.

As the Group continues growing, the importance of internal auditing functions grows and as the first step, the Group has set up during the Year an internal audit team, within the Group's finance team headquartered in Hong Kong, that for the time being works together with the finance team members for conducting regular review of the Group's internal control procedures, including accounting system and operational procedures. Although the current internal audit team is not working totally independent from the finance team, the management considers the present arrangement is adequate and effective having taking into account the current organizational structure, lines of responsibility, authority of the management team and the risks associated with the operations of the Group. The management and Audit Committee however are reviewing and monitoring on a regular basis the situation, and will strengthen independence of the Group's internal auditing functions should the circumstances arise.

External Auditors

The Report of the Auditors of the Company, Messrs. Deloitte Touche Tohmatsu, in respect of the audit of the Group's financial statements for the Year is set out on page 55 of the annual report. The Board takes steps to ensure the continued objectivity and independence of the auditors.

For the Year under review, the auditors of the Company received approximately HK\$2.3 million in respect of audit services provided to the Group.

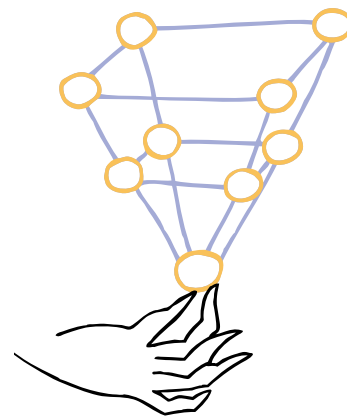
董事局亦與財務總監及審核委員會就持續改善本公司內部監控制度訂定目標，並就此檢討計劃及進度。

由於本集團持續增長，內部審核部門之重要性日益提升。首先，本集團於本年度已在總部設於香港之本集團財務隊伍旗下成立內部審核隊伍，現時與財務隊伍合作，負責定期審閱本集團內部監控程序，包括會計制度及營運程序。儘管內部審核隊伍並非完全獨立於財務隊伍，惟在經考慮現行組織架構、管理層隊伍之職責與權力的分工以及本集團業務所涉及風險後，管理層認為現行安排屬足夠及有效。然而，管理層與審核委員會現正定期檢討及監管情況，於有需要時將加強本集團內部審核部門的獨立性。

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55頁。董事局已採取措施，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2,300,000港元。



Audit Committee

The Company's Audit Committee was established in April 2004 with terms of reference to "A Guide For Effective Audit Committees" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), (formerly known as Hong Kong Society of Accountants) in 2002; and a version of the terms of reference is available on the Company's website.

As in compliance with the CG Code, our Audit Committee's member is comprised solely of our four Independent Non-executive Directors, namely, Mr. Lam Siu-lun, Simon, Mr. Cheung Yuet-man, Raymond, The Hon. Shek Lai-him, Abraham and Mr. Hui Chiu-chung, Stephen. None of them is, or has previously been, a member of the Company's current or previous external auditors. The Audit Committee is chaired by Mr. Lam Siu-lun, Simon, who possesses the professional qualification as a certified public accountant.

The principal duties of the Audit Committee are as follows: -

1. to consider the service and appointment of the Company's external auditors, nature and scope of auditing, and the related audit fee;
2. to review and approve changes in accounting policies and practices, to review the effectiveness of the financial reporting process, its compliance with accounting standards, the Listing Rules and legal requirements of the financial reporting system and process;
3. to oversee the adequacy of the Group's financial reporting process, internal control procedures and risk management system;
4. to review internal control programme and to ensure adequate responses to internal audit functions, to consider and discuss audit findings, for any significant or unusual terms thereof, with our CFO and directly with external auditors; and
5. to assist the Board in overseeing the proper preparation of the Group's financial statements and reports.

Our Audit Committee held two committee meetings within the Year. Three out of the four committee members attended both meetings with a member absent from one meeting. In the meetings, the committee reviewed and discussed together with the CFO, Company Secretary and, together or in private meeting, with external auditors on the Group's financial statements before they were submitted to the Board for consideration and approval.

審核委員會

本公司於二零零四年四月成立審核委員會，並按香港會計師公會於二零零二年頒佈之「有效運作審核委員會指引」制定職權範圍，其職權範圍已於本公司網站刊載。

為符合企業管治守則，本公司審核委員會僅由四名獨立非執行董事林兆麟先生、張悅文先生、石禮謙議員及許照中先生組成。彼等並非亦不曾出任本公司現任或先前外聘核數師成員。審核委員會由林兆麟先生出任主席，彼具備執業會計師專業資格。

審核委員會之主要職責如下：

1. 考慮本公司外聘核數師之服務及委任以及核數性質與範疇及相關審核費用；
2. 審閱及批准會計政策與慣例之變動，檢討財務申報程序之效能，並遵守會計準則、上市規則及財務申報制度與程序之法例規定；
3. 監察本集團之財務申報程序、內部監控程序及風險管理制度是否恰當；
4. 檢討內部監控程序，並確保充分回應內部審核職能；與財務總監及直接與外聘核數師考慮及商討審核結果以及任何重大或不尋常條款；及
5. 協助董事局監察適當編製本集團財務報表及報告。

於本年度，審核委員會曾舉行兩次委員會會議。四名委員會成員中三人出席兩次會議，其餘一人則缺席一次會議。委員會於會上與財務總監、公司秘書並連同或於私人會議上與外聘核數師在呈交董事局以供考慮及批准前就本集團財務報表進行審閱及商討。

Remuneration Committee

The Company's Remuneration Committee was established in August 2005 with terms of reference specifying its authority and duties. A version of the terms of reference is posted on the Company's website.

In compliance with the CG Code, our Remuneration Committee's member is comprised of as majority three Independent Non-executive Directors, namely, Mr. Lam Siu-lun, Simon, The Hon. Shek Lai-him, Abraham and Mr. Hui Chiu-chung, Stephen, and one Executive Director, Mr. Lau Leun-hung, Thomas, who is also our Managing Director. Currently, Mr. Lau Luen-hung, Thomas is also the Chairman of the Remuneration Committee.

Under the terms of reference, the principal role of this Committee is to provide advice and recommendation to the Board on the remuneration policy and structure to both Executive and Non-executive Directors and senior management, on any specific remuneration packages with reference to market conditions, performance of the Group and the individuals against preset goals and targets as set by the Board from time to time, and if necessary, on any compensation policy for termination of office of Directors or senior management.

Besides putting forward recommendation for Board approval, the Remuneration Committee has to make advice and recommendation to shareholders for approval if required under the Listing Rules and applicable legislation from time to time. The Remuneration Committee met once in the Year, with all committee members attended the meeting.

Investor Relations and Communication with Shareholders

The Company regards high quality reporting as an essential element in building successful relationships with its shareholders. During the review Year, the Group was ranked the third for 'Most Progress in Investor Relations' awarded by IR Magazine.

The Company always seeks to provide relevant information to current and potential investors, not only to comply with the different requirements in force but also to enhance transparency and communications with shareholders and the investing public. This is part of a continuous communication program 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.

薪酬委員會

本公司於二零零五年八月成立薪酬委員會，並制定職權範圍說明其職權及職責，其職權範圍已於本公司網站刊載。

為符合企業管治守則，本公司薪酬委員會由三名獨立非執行董事林兆麟先生、石禮謙議員及許照中先生以及執行董事劉鑾鴻先生組成。劉鑾鴻先生亦為本公司董事總經理。劉鑾鴻先生現時亦為薪酬委員會主席。

根據職權範圍，本委員會之主要職責為就執行及非執行董事以及高級管理層之薪酬政策及架構向董事局提供建議及推薦意見，並就經參考市場情況、本集團及個人表現以及董事局不時制定之目標後對任何具體薪酬待遇作出檢討，且於必要時就董事或高級管理層終止任期之任何賠償政策作出檢討。

除提出推薦意見供董事局批准外，倘上市規則及不時適用之法例規定，則薪酬委員會須向股東提供建議及推薦意見以供批准。於本年度，薪酬委員會曾舉行一次會議，全體委員會成員均有出席該次會議。

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。於回顧年度，本集團獲IR Magazine頒發「投資者關係最佳進步獎（Most Progress in Investor Relations）」第三名。

本公司一直致力向現有及潛在投資者提供有關資料，所提供資料不單符合不同的有效規定，亦同時提高透明度及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佈，包括以初步業績公佈以及中期報告及年報方式定期刊發報告書。

The Company also maintains a corporate website on which comprehensive information about the Group is provided.

Regular meetings are also held with institutional investors and research analysts to provide them with timely updates on the Group's latest business developments and non-price sensitive information. These activities keep the public informed of the Group's activities and foster effective communications.

The Group has also participated in numerous investment conferences and forums organized by leading investment banks in order to enhance the awareness of the investing public of the Group's vision and strategies.

The Company is committed to ensuring that it is fully compliant with disclosure obligations stipulated under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information that is released by the Group.

本公司亦設有公司網站，提供有關本集團之全面資料。

本公司亦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。

本集團亦出席各個由具領導地位之投資銀行舉辦之投資會議及論壇，以提高公眾投資者對本集團目標及策略之認識。

本公司致力確保全面遵守上市規則及其他適用法例與法規訂明之披露責任，而全體股東及潛在投資者均同樣可獲得及取得本集團公佈之外界資料。