

Corporate Governance Report

企業管治報告

The Company is committed to the establishment of good corporate practices and procedures. The corporate governance principles of the Company emphasise a quality board, transparency and accountability to all shareholders of the Company.

Throughout the year ended 31 December 2006, the Group has complied with the code provisions (the "Code Provisions") set out in Appendix 14, the Code of Corporate Governance Practices, of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Board will continue to monitor and review the Group's corporate governance practices to ensure compliance with the Code Provisions.

Board Composition

The Board comprises five executive directors, one non-executive director and three independent non-executive directors. All five executive directors are members of the executive committee of the Company responsible for dealing with the business of the Company in accordance with all applicable rules and regulations, including, but not limited to, the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules"). All Directors (including independent non-executive directors) have been consulted on all major and material matters of the Company.

The Board members for the year ended 31 December 2006 were:

Executive Directors

Mr. TAOCHAI FU Choofuang (also known as CF TAO) (Chairman)
Mr. TAO Richard (Vice Chairman)
Mr. TAO Paul (also known as TAOCHAI FU Porn) (Managing Director)
Mr. KONG Mui Sum Lawrence
Mr. YIM Chun Leung

Non-executive Director

The Hon. CHAN Charnwut Bernard

Independent Non-executive Directors

Mr. WONG Gary Ka Wai
Mr. SUN Leland Li Hsun
Mr. CHAN Norman Enrique

The numbers of independent non-executive directors have met the requirements under the Listing Rules and Mr. WONG Gary Ka Wai has appropriate accounting professional qualification. The Company has appointed a Managing Director instead of a chief executive officer.

The positions of the Chairman and the Managing Director are held separately by two executive directors to ensure their respective independence, accountability and responsibility. The Chairman is responsible for determining overall business strategies of the Group. The duty of the Chairman is to work closely with audit, nomination and remuneration committee of the Company and to ensure that all key and appropriate issues are discussed by the Board in a timely and constructive manner. The Managing Director is responsible for general management of the Group. The Managing Director is also responsible to work closely with the executive committee of the Company to ensure management strategies, plans and performance of the Group are appropriately represented to the Board and to provide guidance to the Board on major issues.

本公司致力建立良好之企業管治慣例及程序，本公司之企業管治原則著重優秀之董事局、透明度及向本公司所有股東問責。

截至二零零六年十二月三十一日止年度，本集團已遵守香港聯合交易所有限公司（「聯交所」）之證券上市規則所載的附錄十四企業管治常規守則所載之守則條文（「守則條文」）。

董事會將繼續監察及審核本集團之企業管治常規，以確保符合守則條文之規定。

董事局之組成

董事局由五名執行董事、一名非執行董事及三名獨立非執行董事組成，所有五名執行董事均為執行委員會成員，負責按照所有適用的規則及條例，其中包括，但不限於聯交所之證券上市規則（「上市規則」）處理本公司之業務。所有董事（包括獨立非執行董事）在本公司所有主要及重大事項上均被諮詢。

截至二零零六年十二月三十一日止年度之董事局成員為：

執行董事

陶哲甫先生（別名CF Tao）（主席）
陶家祈先生（副主席）
陶錫祺先生（別名TAOCHAI FU Porn）（董事總經理）
江淼森先生
嚴振亮先生

非執行董事

陳智思先生

獨立非執行董事

王家偉先生
孫立勳先生
陳樂文先生

獨立非執行董事之數目已符合上市規則規定及王家偉先生亦具備適當之會計專業資格。本公司已委任一位董事總經理，代替委任一位行政總裁。

主席及董事總經理之職位分別由兩位執行董事出任，以確保其各自之獨立性、問責性及責任承擔。主席負責決定本集團之整體業務策略。主席之職責乃與本公司之審核委員會、提名委員會及薪酬委員會緊密合作，並確保董事會能夠就所有重要及適當事宜，進行及時和具建設性之討論。董事總經理負責本集團之一般管理。董事總經理亦須與本公司之行政委員會緊密合作，以確保管理策略，計劃及表現於董事會中獲得適當的代表，並就主要議題向董事會提供指導。

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Model Code for 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 directors' securities transactions. The obligation to follow the Listing Rules are set out in the terms of the service contracts of each executive director and the letters of appointment of the non-executive director and each independent non-executive director. Having made specific enquiry of all the Directors, the Directors confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 December 2006.

Audit Committee

The Company established an Audit Committee on 14 November 2005 with terms of reference in compliance with the Code Provisions. The Audit Committee consists of independent non-executive directors only.

The members of the Audit Committee are as follows:

Mr. WONG Gary Ka Wai (*Chairman*)
Mr. SUN Leland Li Hsun
Mr. CHAN Norman Enrique

Mr. WONG Gary Ka Wai, who possesses a professional accounting qualification and relevant accounting experience, is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditors of the Company.

The primary duties of the Audit Committee are to review and approve the financial reporting process and internal control systems of the Group. The Group's final results for the year ended 31 December 2006 have been reviewed by the members of the Audit Committee before submission to the Board for approval. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

Since the establishment of the Audit Committee on 14 November 2005, four meetings of the Audit Committee were held. The attendance of each member is set out as follows:

Name of member

成員名稱

Mr. WONG Gary Ka Wai
Mr. SUN Leland Li Hsun
Mr. CHAN Norman Enrique

王家偉先生
孫立勳先生
陳樂文先生

Meetings attended/Number of Meeting held

出席會議次數／舉行會議次數

4/4
4/4
4/4

Nomination Committee

The Company established a Nomination Committee on 14 November 2005 with terms of reference in compliance with the Code Provisions. The members of the Nomination Committee consist of one executive director and two independent non-executive directors.

董事進行證券交易之標準守則

本公司已採納上市規則附錄十所載之上市發行人董事進行證券交易之標準守則(「標準守則」)，作為其董事進行證券交易之操守守則。各執行董事之服務合約條文及非執行董事及各獨立非執行董事之委任信件中已載有遵守上市規則之責任。經本公司向全體董事作出特定查詢後，全體董事確認，彼等於截至二零零六年十二月三十一日一直遵守標準守則所規定標準。

審核委員會

本公司於二零零五年十一月十四日成立審核委員會，並根據常規守則制訂職權範圍。審核委員會成員只包括獨立非執行董事。

審核委員會成員如下：

王家偉先生(主席)
孫立勳先生
陳樂文先生

王家偉先生，彼具有專業會計資格及相關會計經驗，乃審核委員會主席。概無任何審核委員會之成員乃本公司之前任或現任核數師。

審核委員會的主要職務為檢討及批准本集團的財務申報程序及內部監控制度。本集團截至二零零六年十二月三十一日止年度之業績於提呈董事會批准前已獲審核委員會審閱。審核委員會認為是次業績之籌備乃遵守適用之會計準則及已作出適當的披露。

自審核委員會於二零零五年十一月十四日成立以來，審核委員會共召開四次會議。每位成員之出席情況載列如下：

提名委員會

本公司於二零零五年十一月十四日成立提名委員會，並根據常規守則制訂職權範圍。提名委員會成員包括一名執行董事及兩名獨立非執行董事。

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Nomination Committee (Cont'd)

The members of the Nomination Committee are as follows:

Mr. CHAN Norman Enrique (*Chairman*)
Mr. SUN Leland Li Hsun
Mr. TAO Paul

The primary duty of the Nomination Committee is making recommendations to the Board on appointment and removal of directors and management of Board succession.

The Nomination Committee has considered the past performance, qualification, general market conditions and the Company's articles of association in selecting and recommending directors for retirement rotation.

The Nomination Committee resolved that all the existing directors should be recommended to be retained by the Company. Further, in accordance with the Company's articles of association, Mr. TAOCHAIFU Choofuang, Mr. TAO Paul and Mr. WONG Gary Ka Wai would retire, and being eligible, would offer themselves for re-election at the forthcoming annual general meeting of the Company.

Since the establishment of the Nomination Committee on 14 November 2005, two meetings of the Nomination Committee were held. The attendance of each member is set out as follows:

Name of member 成員名稱		Meetings attended/Number of Meeting held 出席會議次數／舉行會議次數
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Mr. CHAN Norman Enrique	陳樂文先生	2/2
Mr. SUN Leland Li Hsun	孫立勳先生	2/2
Mr. TAO Paul	陶錫祺先生	2/2

Remuneration Committee

The Company established a Remuneration Committee on 14 November 2005 with terms of reference in compliance with the Code Provisions. The members of the Remuneration Committee consist of one executive director and two independent non-executive directors.

The members of the Remuneration Committee are as follows:

Mr. SUN Leland Li Hsun (*Chairman*)
Mr. CHAN Norman Enrique
Mr. TAO Richard

The primary duties of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management including the recommendation to the Board on the granting of share options to Directors pursuant to the share option scheme adopted by the Company.

The Remuneration Committee has considered and reviewed the existing terms of remunerations of all the directors. The Remuneration Committee has considered factors including salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the group and desirability of performance-based remuneration. The Remuneration Committee considered that the existing terms of remunerations of the directors were fair and reasonable.

提名委員會 (續)

提名委員會成員如下：

陳樂文先生 (主席)
孫立勳先生
陶錫祺先生

提名委員會的主要職務為就委任董事及罷免董事以及管理董事會繼承事宜向董事會提出建議。

提名委員會已考慮以往的表現、資格、一般市場環境及本公司之組織章程細則以甄選及推薦董事輪值告退。

提名委員會決議推薦所有現任董事在本公司留任。再者，根據本公司之組織章程細則，陶哲甫先生、陶錫祺先生及王家偉先生將於應屆股東週年大會上告退，惟彼符合資格並願意膺選連任。

自提名委員會於二零零五年十一月十四日成立以來，提名委員會共召開兩次會議。每位成員之出席情況載列如下：

薪酬委員會

本公司於二零零五年十一月十四日成立薪酬委員會，並根據常規守則制訂職權範圍。薪酬委員會成員包括一名執行董事及兩名獨立非執行董事。

薪酬委員會成員如下：

孫立勳先生 (主席)
陳樂文先生
陶家祈先生

薪酬委員會的主要職務為檢討及釐定應付予董事及高級管理人員的薪酬福利條款、花紅及其他報酬，包括向董事會建議按照公司採納的購股權計劃而向董事授出購股權。

薪酬委員會考慮及檢討所有董事現時的薪酬條款。薪酬委員會考慮之因素包括可比較公司之薪金水平、各董事所投入之時間及職責、集團其他的聘用條件及以表現為準則的薪酬條件。薪酬委員會認為現時董事的薪酬條款乃公平合理。

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Remuneration Committee (Cont'd)

Since the establishment of the Remuneration Committee on 14 November 2005, three meetings of the Remuneration Committee were held. The attendance of each member is set out as follows:

Name of member 成員名稱		Meetings attended/Number of Meeting held 出席會議次數／舉行會議次數
Mr. SUN Leland Li Hsun	孫立勳先生	3/3
Mr. CHAN Norman Enrique	陳樂文先生	3/3
Mr. TAO Richard	陶家祈先生	3/3

Internal Control

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to the management the implementation of the system of internal controls and reviewing of all relevant financial, operational, compliance controls and risk management function within an established framework.

During the year, the Company has initiated a project to review the internal control. The Company has engaged an external professional adviser to assist in conducting a gap analysis with the reference to the COSO (The Committee of Sponsoring Organizations of the Treadway Commission, 1994) internal control framework and to perform the review of the effectiveness of its system of internal control. Relevant applicable recommendations made by such consultant would be implemented by the Group in stages to further enhance its internal control policies, procedures and practices.

Investor Relationship and Communication

The Company endeavors to maintain a high level of transparency in communicating with shareholders and the investment community at large. Briefings and meetings with institutional investors and analysts are conducted regularly. The Company is committed to continue to maintain an open and effective investor communication policy and to update investors on relevant information on its business in a timely manner, subject to relevant regulatory requirements. In order to ensure effective, clear and accurate communications with the investors and analysts, all corporate communications are arranged and handled by the executive directors and designated senior executives according to established practices and procedures of the Company. The Company has announced its annual results of the year under review in a timely manner, which is well before the time limits set out in the Listing Rules.

薪酬委員會 (續)

自薪酬委員會於二零零五年十一月十四日成立以來，薪酬委員會共召開三次會議。每位成員之出席情況載列如下：

Name of member 成員名稱		Meetings attended/Number of Meeting held 出席會議次數／舉行會議次數
Mr. SUN Leland Li Hsun	孫立勳先生	3/3
Mr. CHAN Norman Enrique	陳樂文先生	3/3
Mr. TAO Richard	陶家祈先生	3/3

內部監控

董事會對本公司內部監控系統及對檢討其效率承擔整體責任。董事會致力落實有效及良好的內部監控系統，以保障股東利益及本集團資產。董事已委派管理層落實內部監控系統，並檢討已建立的架構內的所有相關財務、營運、遵守規例監控及風險管理效能。

公司於年內啟動一項計劃，旨在檢討內部監控。公司已外聘專業顧問，協助公司參照COSO(The Committee of Sponsoring Organization of the Treadway Commission, 1994)內部控制框架進行缺口分析，以評估集團之內部控制系統之成效。該顧問提出的相關適用推薦意見將獲本集團分階段實行以進一步改進其內部監控政策、程序和慣例。

與投資者的關係及溝通

本公司與股東及投資界溝通時，一直盡量保持高透明度。本公司定期為機構投資者及分析家舉行簡報會及會議。本公司致力按照有關監管規定，繼續維持公開及有效的投資者溝通政策，並及時向投資者提供最新的業務資料。為確保與投資者及分析家維持有效、清晰而準確的溝通渠道，所有企業通訊事宜均按照本公司的既定慣例及程序，由執行董事及專責高級行政人員處理。本公司已於回顧年度內按時宣佈其年度業績及中期業績，宣佈時間遠早於上市規則規定的時間。

Directors' and Auditors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is the responsibility of the auditors to form an independent opinion, based on their audit, on those financial statements and to report their opinion to the members of the Company, as a body, and for no other purpose. The auditors do not assume responsibility towards or accept liability to any other person for the contents of the independent auditors' report.

The Directors acknowledge their responsibilities for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2006, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standard and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the financial statements on the going concern basis. The Directors also ensure the timely publication of the financial statements of the Group.

Auditors' Remuneration

During the year, the fees charged to the financial statements of the Group for the statutory audit was HK\$728,000 (2005 – HK\$680,000) and the independent auditors of the Company, Grant Thornton, did not perform non-statutory audit services to the Group.

董事及核數師就財務報表承擔之責任

董事須負責編製真實而公正之財務報表。在編製該等財務報表時，董事必須貫徹選擇及採用合適之會計政策。

核數師之責任是根據審核工作之結果，對該等財務報表作出獨立意見，將此意見僅向本公司成員報告，不作其他用途。核數師並不就獨立核數師報告書之內容向任何其他人士負上責任或承擔法律責任。

董事確認，其職責為就每個財政期間編製可真實公平地反映本集團業務狀況及該期間之業績及現金流量之財務報表。編製截至二零零六年十二月三十一日止年度之財務報表時，對已挑選及貫徹應用合適之會計政策，採納適當之香港財務報告準則及香港會計準則、審慎及合理地作出調整及估計，並以持續營運基準準備財務報表。董事亦確保準時刊發本集團之財務報表。

核數師酬金

於本年度，就法定審計而於本集團財務報表中入帳的費用款項為728,000港元(二零零五年：680,000港元)，本公司獨立核數師，均富會計師行，並無提供任何非審計服務予本集團。