

Corporate Governance Report

企業管治報告

CORPORATE GOVERNANCE PRACTICE

The Group is committed to maintaining and ensuring a high level of corporate governance standards and continuously reviews and improves our corporate governance and internal controls practices. Set out below are the principles of corporate governance as adopted by the Company during the financial year under review.

DISTINCT ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER (“CEO”)

During the period from 21 December 2006 (being the date of listing of the Company) to 31 December 2006 (the “Post Listing Period”), Mr. Fang Jin served as the Chairman of the Board and was responsible for leading the Board in establishing and monitoring the implementation of strategies and plans to create values for shareholders. Mr. Guo Quan Zeng served as the President of the Group and was responsible for managing the overall business operations of the Group, proposing strategies to the Board and the effective implementation of the strategies and policies adopted by the Board, effectively carrying out the role of a CEO.

THE BOARD

As of 31 December 2006, there were eight members on the Board, which are the Chairman, the three other Executive Directors, one Non-executive Director (“NED”) and three Independent Non-executive Directors (“INEDs”).

The INEDs are considered by the Board to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgments. The Board considered that each of the INEDs brings his own relevant expertise to the Board and its deliberations.

None of the INEDs has any business or financial interests with the Group nor has any relationship with other directors. Each of the INEDs confirmed their respective independences to the Group.

The Board met regularly during the year on an ad hoc basis as required by business needs. The Board’s primary purpose is to set and review the overall strategic development of the Group and to oversee the achievement of the plans to enhance shareholders’ value. Daily operational decisions are delegated to the Executive Directors and the senior management. Since the incorporation of the Company on 20 July, 2006, the Board met 5 times during the year and the Directors’ attendance is shown in the table on page 47. The Board has conducted a review of the effectiveness of the system of internal control of the Group during the year. Each of the Directors was appointed by the Board during the year.

企業管治常規

本集團一直致力確保企業管治標準維持於高水平，並持續檢討及改善本集團的企業管治及內部監控常規。以下為本公司於回顧財政年度內採納的企業管治原則。

主席及行政總裁（「行政總裁」）的分工

於二零零六年十二月三十一日（即本公司上市日期）至二零零六年十二月三十一日（「上市後期間」），方金先生擔任董事會之主席，負責領導董事會制訂及監控業務策略與計劃的推行，務求為股東締造更高的企業價值。郭泉增先生則擔任本集團之總裁，負責管理本集團的整體業務運作，向董事會提呈策略方針，以及落實推行獲董事會採納的策略及政策，有效履行行政總裁的職責。

董事會

於二零零六年十二月三十一日，董事會由八位成員組成，分別為主席、其他三位執行董事、一位非執行董事（「非執行董事」）及三位獨立非執行董事（「獨立非執行董事」）。

董事會認為，各獨立非執行董事均為與管理層並無關係的獨立人士，且無任何關係將重大影響其獨立判斷。董事會認為，各獨立非執行董事均為董事會事務及其決策貢獻本身的相關經驗。

獨立非執行董事並無涉及本集團的任何業務及財務利益，且與其他董事亦並無任何關係，並已向本集團確認彼等為獨立人士。

年內，本集團定期及按業務所需不時舉行會議。董事會的主要功能為制訂及檢討本集團的整體策略發展，以及監督業務計劃成效以提升股東價值。日常營運決策乃授予執行董事及高級管理層。自本公司於二零零六年七月二十日註冊成立後，董事會於年內舉行了5次會議，而董事的出席記錄見第47頁所載表內。董事會已就年內本集團內部監制度的成效作出檢討。各董事於年內由董事會委任。

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THE BOARD (Continued)

All of the Directors shall retire and being eligible, offer themselves for re-election in the forthcoming annual general meeting.

The Directors are independent from each other.

The Company appointed the NED whose term of appointment shall be for one year from 3 December 2006.

AUDIT COMMITTEE

The Group has established an audit committee ("Audit Committee") with written terms of reference as suggested under the Code of Best Practice set out in Appendix 14 of the Listing Rules and adopted with reference to "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants. The Audit Committee comprises Mr. Heng Kwo Seng, Mr. Wang Jing Zhong, Mr. Wang Jian Zhang and Mr. Ho Man, a majority of whom are INEDs. The chairman of the Audit Committee is Mr. Heng Kwo Seng. Each member can bring to the Committee his valuable experience in reviewing financial statements and evaluating significant control and financial issues of the Group who among themselves possess a wealth of management experience in the accounting profession or commercial sectors. The Audit Committee was established in 3 December 2006 and has held one meeting during the year.

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

- (i) to review the half-year and annual financial statements before they are submitted to the Board for approval;
- (ii) to make recommendations to the Board on, the appointment, reappointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of that auditors;
- (iii) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (iv) to review the Company's financial controls, internal controls and risk management systems;
- (v) to review the Group's financial and accounting policies and practice;

董事會 (續)

全體董事分別將於應屆股東週年大會上退任及合資格膺選連任。

董事之間各自為獨立人士。

本公司按委任年期由二零零六年十二月三日起計一年委任非執行董事。

審核委員會

本公司已按照上市規則附錄14所載的最佳應用守則及香港會計師公會刊發的「審核委員會有效運作指引」成立審核委員會(「審核委員會」)並以書面釐定其職權。審核委員會成員包括邢詒春先生、王敬忠先生、王建章先生及何敏先生，彼等大部份為非執行董事。審核委員會的主席為邢詒春先生。每位成員貢獻其寶貴的經驗，審核財務報表及評估本集團重大控制及財務事宜。彼等均於會計專業和商界擁有豐富的管理經驗。年內，審核委員會於二零零六年十二月三日成立，並舉行一次會議。

審核委員會的主要職責如下：

- (i) 在半年及年度財務報表提呈董事會批准前審閱有關報表；
- (ii) 就委任、重新委任及撤換外部核數師向董事會提出建議，批准外部核數師的酬金及委聘條款，以及處理任何有關該核數師辭任或解聘的問題；
- (iii) 按照適用準則，檢討及監察外部核數師的獨立及客觀性，以及核數程序的效用；
- (iv) 檢討本公司的財務監控、內部監控及風險控制系統；
- (v) 檢討本集團的財務及會計政策與慣例；

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AUDIT COMMITTEE (Continued)

- (vi) to review and monitor the effectiveness of the internal audit function; and
- (vii) to review the terms and conditions of connected transactions of the Group.

The Audit Committee reviewed the financial statements of the Group for the year ended 31 December 2006 prior to recommending the financial statements to the Board for approval.

REMUNERATION COMMITTEE

The Company established a remuneration committee (“Remuneration Committee”) in 3 December 2006 and has not held any meeting during the year. The Remuneration Committee comprises Mr. Fang Jin, Mr. Heng Kwoo Seng and Mr. Wang Jing Zhong. The Chairman of the Remuneration Committee is Mr. Fang Jin. Its main duties are summarized as follows:

- (i) to make recommendations to the Board on the Company’s policy and structure for all remuneration of Directors and senior management as well as a formal and transparent procedure for developing such remuneration policies;
- (ii) to determine the specific remuneration packages of all Executive Directors, senior management and Non-executive Directors; and
- (iii) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

In order to attract, retain, and motivate executives and key employees serving the Group, the Company has adopted a share option scheme in December 2006. Such incentive schemes enable the eligible persons to obtain an ownership interest in the Company and thus to reward the participants who contribute to the success of the Group’s operations.

Details of the amount of Directors emoluments are set out in note 10 to the consolidated financial statements and details of the 2006 share option scheme are set out in note 31.

審核委員會 (續)

- (vi) 檢討及監察內部審核職能的效用；及
- (vii) 審閱本集團關連交易的條款及條件。

審核委員會在提交本集團截至二零零六年十二月三十一日止年度的財務報表予董事會批准前，已審閱有關報表。

薪酬委員會

本公司於二零零六年十二月三日設立薪酬委員會（「薪酬委員會」），薪酬委員會於年內並無舉行任何會議。薪酬委員會由方金先生、邢詒春先生及王敬忠先生組成。薪酬委員會的主席為方金先生，其主要職責概述如下：

- (i) 就本公司有關董事及高級管理人員所有薪酬的政策及架構，以及成立發展有關該等薪酬政策的正式及具透明度的程序向董事會作出推薦意見；
- (ii) 釐定所有執行董事、高級管理層及非執行董事的特定薪酬組合；及
- (iii) 確保並無任何董事或其任何聯繫人士參與決定其本身的薪酬。

為招攬、挽留及激勵為本集團服務的行政人員及主要僱員，本公司於二零零六年十二月採納購股權計劃。該等獎勵計劃使合資格人士可獲得本公司的所有權權益，從而對為本集團業務成功作出貢獻的參與者提供回報。

有關董事酬金款額的詳情載於綜合財務報表附註10，而有關二零零六年購股權計劃的詳情載於附註31。

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NOMINATION COMMITTEE

The Company established a nomination committee (“Nomination Committee”) in 3 December, 2006 and has not held any meeting during the year. The Nomination Committee comprises Mr. Fang Jin, Mr. Heng Kwo Seng and Mr. Wang Jing Zhong. The Chairman of the Nomination Committee is Mr. Fang Jin. The Nomination Committee selects and recommends appropriate candidates, based on his or her prior experience and qualifications, to the Board on the appointment of Directors and the senior management of the Group. The main duties of the Nomination Committee are as follows:–

- (i) to review the structure, size and composition (including skills, knowledge and experience) of the Board on a regular basis and to make recommendations to the Board regarding any proposed change;
- (ii) to develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship;
- (iii) to assess the independence of independent non-executive directors to determine their eligibility; and
- (iv) to review and assess the adequacy of the corporate governance guidelines of the Company and to recommend any proposed changes to the Board for approval.

EXECUTIVE COMMITTEE

The Company established an executive committee (“Executive Committee”) in 3 April 2006 and had held 5 meetings during the year. The Executive Committee comprises Mr. Guo Quan Zeng, Mr. Fang Jin, Mr. Lin Chao, Mr. Li Hui Qiu, Mr. Yeung Mun Tai, Mr. Jiang Zhi Cheng, Mr. Wang Wen, Mr. Pan Liang Chun, Ms. Zheng Na and Mr. Qiu Jun Ming. The Chairman of the Executive Committee is Mr. Guo Quan Zeng. Its duties include mainly the following:

- (i) recommending objectives and strategy for the Group in the development of its business, having regard to the interests of its shareholders, customers, employees and other stakeholders;
- (ii) agreeing policy guidelines for business divisions based on approved group strategy;
- (iii) ensuring compliance with relevant legislation and regulations; and

提名委員會

本公司於二零零六年十二月三日設立提名委員會（「提名委員會」），提名委員會於年內並無舉行任何會議。提名委員會由方金先生、邢詒春先生及王敬忠先生組成。提名委員會的主席為方金先生。提名委員會於委任本集團董事及高級管理層時，將根據候選人的過往經驗及資格，挑選及推薦適當人選予董事會。提名委員會的主要職責如下：—

- (i) 定期審議董事會的架構、人數及成員（包括技能、知識及經驗），並就任何建議變動向董事會作出推薦意見；
- (ii) 訂定識別及評估董事候選人資格及評估候選人的標準；
- (iii) 評估獨立非執行董事的獨立身份以決定其資格；及
- (iv) 審議及評估本公司企業管治指引是否全面，以及推薦任何建議變動以提呈董事會批准。

執行委員會

本公司於二零零六年四月三日設立執行委員會（「執行委員會」），執行委員會於年內舉行5次會議。執行委員會由郭泉增先生、方金先生、林超先生、李會秋先生、楊滿泰先生、江志成先生、王文先生、潘良春先生、鄭娜女士及邱俊明先生組成。執行委員會的主席為郭泉增先生，其職責主要包括以下各項：

- (i) 以本集團股東、客戶、僱員及其他股東的利益出發，向本集團建議其業務發展方面的目標及策略；
- (ii) 按照已獲批准的集團策略協定業務分部的政策指引；
- (iii) 確保遵守有關法例及規定；及

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EXECUTIVE COMMITTEE (Continued)

- (iv) examining all trade investments, divestments and major capital expenditure proposals and the recommendation to the Board of those which, in a group context, are material either by nature or cost.

執行委員會 (續)

- (iv) 檢視所有貿易投資、投資出售及主要資本開支建議，以及董事會獲提供且就集團而言性質或成本上屬重大的推薦意見。

Number of Board Meetings (from the Company's date of incorporation and ending 31 December 2006)

董事會會議數目 (由本公司註冊成立日期至二零零六年十二月三十一日)

5

Executive Directors

執行董事

Fang Jin (Chairman)

方金 (主席)

5

Lin Chao

林超

5

Guo Quan Zeng

郭泉增

5

Li Hui Qiu

李會秋

5

Non-executive Director

非執行董事

Ho Man

何敏

4

Independent Non-executive Directors

獨立非執行董事

Heng Kwo Seng

邢詒春

—

Wang Jing Zhong

王敬忠

—

Wang Jian Zhang

王建章

—

LOOKING FORWARD

The Group will keep on reviewing its corporate governance standards on a regularly basis and the Board endeavors to take the necessary actions to ensure the compliance with the provisions of the Code on Corporate Governance Practices introduced by the Stock Exchange.

展望

本集團將繼續定期檢討其企業管治標準，董事會致力採取所需行動，以確保遵守聯交所引入的企業管治常規守則的條文。

INDEPENDENCE INFORMATION

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

獨立身份資料

根據上市規則第3.13條，本公司已獲各獨立非執行董事確認彼等的獨立身份，本公司認為全體獨立非執行董事均為獨立人士。

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

Save for exceeding a cap amount in respect of certain purchases of raw materials and moulds (details of which are set out in an announcement of the Company dated 2 April 2007) the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices ("Corporate Governance Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the Post Listing Period.

遵守上市規則企業管治常規守則

除超過有關採購若干原材料及模具的上限金額 (詳情載於本公司於二零零七年四月二日的公佈內) 外，於上市後期間，本公司已遵守聯交所證券上市規則 (「上市規則」) 附錄 14 所載的企業管治常規守則 (「企業管治守則」) 的所有守則條文。

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MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company had adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors (the “Code”). Having made specific enquiry, the Company confirmed that all Directors have complied with the required standard as set out in the Code.

AUDITORS’ REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group is required to pay an aggregate of approximately RMB1.75 million to the external auditors for their services including audit and non-audit services.

DIRECTORS’ AND AUDITORS’ RESPONSIBILITIES FOR ACCOUNTS

The Directors’ responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on page 49 to 50.

上市公司董事進行證券交易的標準守則

本公司已採納上市規則附錄10所載的「上市公司董事進行證券交易的標準守則」，作為董事買賣本公司證券的守則（「守則」）。本公司於作出特別查詢後，確認全體董事均已遵守守則載列的所需標準。

核數師酬金

本公司的審核委員會負責考慮委聘外部審核師及審視由外部審核師履行的任何非審核工作，包括該等非審核工作會否對本公司構成任何潛在不利影響。於回顧年度內，本集團須就外部審核師的服務（包括審核及非審核服務）而向彼等支付合共約人民幣1,750,000元。

董事及核數師就賬目的責任

董事就賬目的責任及外部核數師對股東的責任載列於第49至50頁。