



Corporate Governance Report

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The Directors recognise the importance of incorporating elements of good corporate governance into the management structure and the internal control procedures of the Group, so as to make sure that all business activities and the decision-making process of the Group are properly regulated. During the financial year ended 31 December 2006 (“FY 2006”), the Company complied with the applicable Code Provisions set forth in The Code on Corporate Governance Practices (the “Code”) in appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

BOARD OF DIRECTORS

The Board is responsible for preventing frauds and irregularities, safeguarding the assets of the Group and formulating business strategies for the Group. The Board currently comprises five executive Directors and three independent non-executive Directors. Details of the Directors are set forth on pages 26 to 28 of this report.

Five executive Directors include three brothers, namely Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer, Mr. WONG Sin Yung, the company secretary, and Mr. CHEUNG Ting Yin, Peter. Both Mr. WONG Sin Yung and Mr. CHEUNG Ting Yin, Peter, have no family relationship with any of the other executive and independent non-executive Directors.

The Chairman and the Chief Executive Officer of the Group are siblings. Mr. TING Man Yi is the Chairman of the Group and Mr. TING Hung Yi is the Chief Executive Officer of the Group. The Chairman is responsible for the overall strategic planning of the Group, overseeing the manufacturing business of the Group in Hangzhou and the planning and implementation of major new investments and projects of the Group. The Chairman will ensure that the Group maintains adequate and effective corporate governance practices and procedures. The Chief Executive Officer is responsible for the day-to-day management of the business of the Group and the strategic development of the Group’s OEM and retail business. With the assistance of other members of the Board and other senior management, the Chief Executive Officer closely monitors the operating and financial results of the Group, identifies weakness of the operation and takes all necessary and appropriate steps to remedy.

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All three independent non-executive Directors have been appointed for three years, commenced from 18 November 2005. All of them have satisfied the independence criteria, and each of them has made such confirmation pursuant to rule 3.13 of the Listing Rules. The Directors are of the view that all independent non-executive Directors meet the independence guidelines set forth in rule 3.13 of the Listing Rules.

For FY 2006, the Board held 4 meetings and all Directors had attended these meetings.

The Board is responsible for the formulation of the overall business strategies and objectives, the monitoring and evaluation of the operating and financial performance, the review of the corporate governance standard and the supervision of the management of the Group. The management of the Group is responsible for the implementation of the business strategies and the day-to-day operations of the Group under the supervision of the Chief Executive Officer. The Directors have full access to information on the Group. All senior management of the Group also provide the Directors from time to time with information on the business of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set forth in appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. In the opinion of the Board, the Company has complied with the Model Code and upon specific enquiry, no Director is aware of any non-compliance with the Model Code throughout FY 2006.

REMUNERATION COMMITTEE

The remuneration committee of the Board has three members, namely Mr. TING Hung Yi, Dr. CHENG Chi Pang and Mr. WONG Chi Keung. The chairman of the remuneration committee is Mr. TING Hung Yi. The primary duties of the remuneration committee include reviewing the terms of remuneration packages and determining the award of bonuses. Its terms of reference are available on request, and are also posted on the website of the Company. The remuneration committee was established on 18 November 2005. Three remuneration committee meetings were held in FY2006, and all the committee members attended these meetings.

NOMINATION COMMITTEE

The nomination committee of the Board consists of Mr. TING Hung Yi, Dr. CHENG Chi Pang and Mr. LEUNG Man Kit. The chairman of the nomination committee is Mr. TING Hung Yi. 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. Its terms of reference are available on request, and are also posted on the website of the Company. The nomination committee was established on 18 November 2005. Two nomination committee meetings, discussing the nomination procedures, were held in FY2006 and all the committee members attended these meetings.

AUDIT COMMITTEE

The audit committee of the Board comprises three independent non-executive Directors, Dr. CHENG Chi Pang, Mr. LEUNG Man Kit and Mr. WONG Chi Keung. Dr. CHENG Chi Pang is the chairman of the audit committee. The audit committee assists the Board to review the financial reporting process, evaluate the effectiveness of the internal control systems of the Group and oversee the auditing processes. Its terms of reference are available on request, and are also posted on the website of the Company. The audit committee was established on 18 November 2005. Three audit committee meetings were held in FY2006 and all the committee members attended these meetings.

DIRECTOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility for overseeing the preparation of the financial statements of the Group with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group, selecting suitable accounting policies, applying the selected accounting policies consistently, and making prudent and reasonable judgments and estimates for the preparation of the financial statements of the Group.

The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set forth in the auditor's report on pages 60 and 61.

AUDITORS' REMUNERATION

The professional fee charged by the Group's auditors in respect of the auditing services is disclosed in the note 24 to the financial statements. The remuneration of the auditors of the Group, PricewaterhouseCoopers, and its affiliated firms, for audit and non-audit services (namely taxation services and interim review) rendered during FY2006 was HK\$3.9 million and HK\$0.5 million, respectively.

INTERNAL CONTROL

The Board and the management of the Group maintain a sound and effective system of internal control of the Group so as to ensure the effectiveness and efficiency of operations of the Group in achieving the established corporate objectives, safeguarding assets of the Group, rendering reliable financial reporting and complying with the applicable laws and regulations.

The Board is also responsible for making appropriate assertions on the adequacy of internal controls over financial reporting and the effectiveness of disclosure controls and procedures. Through the audit committee of the Board, the Board has regularly reviewed the effectiveness of risk management and control activities of the Group during FY 2006.