

CORPORATE GOVERNANCE REPORT

企業管治報告

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The board of directors (“Board”) is committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance with emphasis on transparency, independence, accountability and responsibility. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

The Code on Corporate Governance Practices (“CGP Code”) issued by The Stock Exchange of Hong Kong Limited (“Stock Exchange”) in its Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) sets out two levels of corporate governance practices, namely, mandatory code provisions that a listed company must comply with or explain its non-compliance, and recommended best practices that listed companies are encouraged to comply with but need not disclose in the case of non-compliance. The Company is in compliance with the mandatory code provisions of the CGP Code, save for the deviations discussed below.

BOARD OF DIRECTORS

The Board is charged with providing effective and responsible leadership for the Company. The directors, individually and collectively, must act in good faith in the best interests of the Company and its shareholders. The Board comprises five Executive Directors and three Independent Non-executive Directors. The Board has appointed served Board Committees to oversee different areas of the Company’s affairs. The composition of the Board and the Board Committees are given below and their respective responsibilities are discussed in this report. The number of full Board Meetings and Committee Meetings attended by each Director during the year under review is set out in the following table. Figure in brackets indicates maximum number of meetings in the period in which the individual was a Board Member or Committee Member (as the case may be).

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董事會（「董事會」）致力維持有關法定及監管標準，並緊守企業管治之原則，強調透明、獨立、問責及負責。為了達到股東不斷提高之期望和符合日趨嚴謹之法規要求，實踐董事會對堅守優越企業管治之承諾，董事會不斷檢討集團之企業管治守則。

香港聯合交易所有限公司（「聯交所」）在聯交所證券上市規則（「上市規則」）發出之企業管治常規守規（「管治守則」）訂明兩個層次之企業管治守則，分別是強制守則規定 — 上市公司必須遵守，或對任何偏離守則規定之情況作出解釋；及建議最佳常規 — 鼓勵上市公司加以遵守但毋需披露偏離常規之情況。除了下文提及之偏離外，公司已遵守管治守則中之強制守則規定。

董事會

董事會有效率和負責任地肩負領導本公司發展之責。董事會各成員，無論個別或共同行事，都必須行之以誠，以公司及股東之整體利益為前提。董事會由五名執行董事及三名獨立非執行董事組成。董事會已委任若干轄下委員會，分別監察公司不同範疇之事務。公司之董事會及各董事委員會成員之組成如下，而各委員會之職責於本報告內有進一步之描述。於回顧年度內，各董事出席全體董事會會議及委員會會議之次數載於下表。括號內之數字指有關人士為董事會成員或董事委員會成員（視屬何情況而定）期間內可出席之最多會議次數。

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Name of Director	Note	Full Board Meetings 全體董事會會議	Audit Committee Meetings 審核委員會會議	Remuneration Committee Meetings 薪酬委員會會議	Nomination Committee Meetings 提名委員會會議
董事姓名	附註				
Executive Directors					
執行董事					
LAM Ping Kei (Chairman & CEO) 林平基 (主席兼行政總裁)		4/(14)	4/(4)	N/A 不適用	N/A 不適用
LI Jun (Vice-Chairman) 李珺 (副主席)	3	N/A 不適用	N/A 不適用	N/A 不適用	N/A 不適用
WONG Choi Fung 黃賽鳳		14/(14)	4/(4)	N/A 不適用	N/A 不適用
LAM Chu Ying 林珠英	2	11/(14)	N/A 不適用	N/A 不適用	N/A 不適用
LAW Wai Fai 羅偉輝	1	14/(14)	9/(9)	1(1)	N/A 不適用
YEUNG Kwong Lun 楊廣倫		8/(14)	N/A 不適用	N/A 不適用	N/A 不適用
Independent Non-executive Directors					
獨立非執行董事					
DENG Xiao Jun 鄧小軍		2/(11)	9/(9)	1/(1)	0/(0)
SUN Tian Yan 孫添炎		3/(11)	9/(9)	1/(1)	0/(0)
QI Ji Zhi 邱繼志		2/(11)	9/(9)	1/(1)	0/(0)

Notes:

1. Attended as secretary of committee, except in Board meetings he played the dual roles as Director and Secretary. Mr. Law resigned as Secretary of the Company on 2nd February 2007.
2. Resigned on 2nd February 2007
3. Appointed on 2nd February 2007

The Board members have no financial, business, family or other material/ relevant relationships with each other, save that Ms. Wong Choi Fung and Ms. Lam Chu Ying are respectively the wife and the sister of Mr. Lam Ping Kei. In the Board's opinion, these relationships do not affect the Directors' independent judgment and integrity in executing their roles and responsibilities. Each of the Independent Non-executive Directors have confirmed in writing their independence from the Company in accordance with the guidelines on director independence of the Listing Rules. On this basis, the Company considers all such Directors to be independent.

附註:

1. 列席各委員會擔任委員會秘書，惟於董事會上則同時擔任董事及秘書。羅先生於二零零七年二月二日辭任本公司秘書。
2. 於二零零七年二月二日辭任。
3. 於二零零七年二月二日獲委任

各董事會成員之間並沒有財務、業務、親屬或其他重大／相關關係，惟黃賽鳳女士與林珠英女士分別為林平基先生之妻子和胞姐。董事會認為，上述關係不會影響該等董事在執行職責時之獨立判斷及個人誠信。各獨立非執行董事已根據上市規則對董事獨立性之指引而致函確認其獨立性；因此，公司認為該等董事確屬獨立人士。

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Biographical details of the Directors of the Company as at the date of this report are set out on pages 32 to 33 of this annual report. Given the composition of the Board and the skills, knowledge and expertise of the Director, the Board believes that it is appropriately structured to provide sufficient checks and balances to protect the interests of the Group and the shareholders. The Board will review its composition regularly to ensure that it has the appropriate balance of expertise, skills and experience to continue to effectively oversee the business of the Company.

The Directors are remunerated with reference to their respective duties and responsibility with the Company, the Company's performance and current market situation. Details of emoluments of the Directors from the Group for the year are disclosed in Note 7 to the financial statements.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The appointment of new Directors is recommended by the Nomination Committee. The Board will then take into account criteria such as expertise, experience, integrity and commitment when considering a new appointment.

In accordance with the Articles of Association of the Company ("Articles"), all Directors (except the Chairman, Deputy Chairman, Managing Director or Joint Managing Director) are subject to retirement by rotation and reelection at annual general meetings of the Company. New Directors appointed by the Board during the year are required to retire and submit themselves for re-election at the first annual general meeting immediately following their appointments. Further, at each annual general meeting, one-third of the Directors (excluding the Chairman, Deputy Chairman, Managing Director or Joint Managing Director), or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third are required to retire from office. Out of the eight directors, seven of them (except the Chairman) are subject to retirement by rotation.

於本報告日，公司董事之個人資料詳載於本年報第32頁至第33頁。基於董事會之組成及各董事之技能、學識和專業知識，董事會相信其架構已能恰當地提供足夠之監察，以保障集團和股東之利益。董事會將定期檢討其組成，以確保其在專業知識、技能及經驗方面維持合適之平衡，藉以繼續有效地監管公司之業務。

董事薪酬乃參考各董事於公司之職責、公司之表現及當前市況後釐定。董事於本年度向集團收取之酬金詳情載於財務報表附註7。

董事之委任及重選

新董事之委任由提名委員會建議。董事會審議新委任時會考慮候選人之專業知識、經驗、誠信及承擔等各方面。

根據公司之組織章程細則（「細則」），所有董事（惟主席、副主席、董事總經理或聯席董事總經理除外）須於公司之股東週年大會上輪值告退，並接受重選。於年內獲董事會委任之新董事亦須在獲委任後之首次股東週年大會上退任，並可膺選連任。再者，於每屆股東週年大會上須有三分之一或（如董事會人數不是三或三之倍數）最接近但不超過三分之一之董事（不包括主席、副主席、董事總經理或聯席董事總經理）退任。在八名董事當中，除主席以外餘下七名須受輪值告退之限制。

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The existing Articles governing the retirement of Directors deviate from the CGP Code provisions in the following aspects: (i) unlike the other Directors, the Chairman, Deputy Chairman, Managing Director or Joint Managing Director is not subject to retirement by rotation; (ii) new Directors appointed to fill casual vacancies are subject to election by shareholders at the first annual general meeting instead of the first general meeting after their appointments; and (iii) the Directors who are subject to retirement by rotation are not explicitly subject to retirement at least once every three years. The Board will review the above-mentioned practice from time to time and consider amending the Articles when necessary.

CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person. Mr. Lam Ping Kei is the Chairman of the Board and also serves the function of a Chief Executive. The Board believes that the present arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management. The Board will continually review the effectiveness of the Group's corporate governance structure to assess whether any changes are necessary.

TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

Code provision A.4.1 requires that non-executive directors should be appointed for a specific term and subject to re-election. Currently, all Independent Non-executive Directors have been appointed for a specific term of two years, except that Mr. Qiu Ji Zhi has no fixed term of office with the Company. All Independent Non-executive Directors including Mr. Qiu are subject to retirement by rotation in accordance with the Articles. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision.

現行有關董事退任之細則有下列之偏離管治守則的事項：(i)主席、副主席、董事總經理或聯席董事總經理毋須輪值告退，有別於其他董事；(ii)獲委任填補臨時空缺之新董事須在其獲委任後之首次股東週年大會（而非首次股東大會）上告退並接受股東重選；及(iii)沒有明確地要求每名須輪值告退之董事最少每三年退任一次。董事會將不時檢討上述做法並於需要時考慮修訂細則。

主席及行政總裁

守則規定A.2.1訂明，主席及行政總裁之角色必須分開及不能由同一人出任。董事會主席林平基先生兼任行政總裁一職。董事會認為現時之安排能讓公司迅速作出決定並付諸實行，並可有效率和有效地達到公司之目標，以適應不斷改變之環境。董事會同時相信公司已擁有堅實企業管治架構以確保能有效地監管管理層。董事會將繼續檢討集團企業管治架構之有效性，評估是否需要改變。

非執行董事之任期

守則規定A.4.1要求，非執行董事應以指定任期委任並須重選連任。現時除邱繼志先生並無指定任期外，所有獨立非執行董事均以兩年之指定任期委任。全體獨立非執行董事（包括邱先生）均須根據細則輪值告退。因此，公司認為已採取足夠措施以符合守則規定之目的。

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AUDIT COMMITTEE

The Audit Committee comprises all of the three Independent Non-executive Directors and is chaired by Mr. Sun Tian Yan, who possesses extensive accounting experience in government and manufacturing sectors. It is responsible for appointment of external auditors, review of the Group's financial information and oversight of the Group's financial reporting system and internal control procedures. The Audit Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. It meets regularly to review financial reporting and internal control matters and to this end has unrestricted access to personnel, records and external auditors and senior management.

The Committee has specific written terms of reference which are of no less exacting terms than those stipulated in code provision. In 2006, the Audit Committee held 9 meetings with full attendance.

REMUNERATION COMMITTEE

The Remuneration Committee, composed of all three Independent Non-executive Directors, is responsible for reviewing and determining the compensation and benefits of the Directors and senior management. The committee members elect one of them to take the chair at the commencement of each meeting. The Committee has specific written terms of reference which are of no less exacting terms than those stipulated in code provision. In 2006, the Committee has held one meeting with full attendance.

NOMINATION COMMITTEE

The Nomination Committee, composed of all three Independent Non-executive Directors, is responsible for reviewing and making recommendation to the Board on matters relating to the Board structure and appointment and re-appointment of Directors. The committee members elect one of them to take the chair at the commencement of each meeting. The Committee has specific written terms of reference which are of no less exacting terms than those stipulated in code provision. In 2006, no meeting was held.

審核委員會

審核委員會由全部共三名獨立非執行董事組成，其主席為孫添炎先生。孫先生擁有豐富之政府及製造業會計經驗。審核委員會負責外聘核數師之委聘、審閱集團之財務資料及監督集團之財務申報制度和內部控制程序。審核委員會亦負責審議集團中期及末期業績後才向董事會作出建議是否批准有關業績。審核委員會定期舉行會議，審閱財務報告及內部監控等事宜，並可不受限制地接觸工作人員、取得有關記錄以及接觸公司之外聘核數師及高級管理層。

委員會以書面訂明職權範圍，其條款與守則規定所訂明者同樣嚴謹。二零零六年，審核委員會舉行9次會議，並得全體成員出席。

薪酬委員會

薪酬委員會由全部共三名獨立非執行董事組成，負責檢討並決定董事及高級管理層之薪酬福利。委員會成員於每次會議開始前選出其中一人為會議主席。委員會以書面訂明職權範圍，其條款與守則規定所訂明者同樣嚴謹。委員會於二零零六年曾舉行一次會議，並得全體成員出席。

提名委員會

提名委員會由全部共三名獨立非執行董事組成，負責檢討董事會架構以及董事之委任及重新委任之事宜並就此向董事會提供建議。委員會成員於每次會議開始前選出其中一人為會議主席。委員會以書面訂明職權範圍，其條款與守則規定所訂明者同樣嚴謹。委員會於二零零六年並沒有舉行會議。

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DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, safeguard its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable assurance against material misstatement or loss, and to oversee the Group's operational systems for the achievement of the Group's business objectives.

During the year 31 December 2006, the Board had conducted a review on the effectiveness of the Group's material internal controls in areas of financial and operational functions, risk management and regulatory compliance. The Board considered the Group has effective internal control system. Nevertheless, the Board continues to improve the internal control system through periodic review and recommendation from external auditors identified from their process of audit.

AUDITORS' REMUNERATION

The remuneration to the external auditors, Lo and Kwong C.P.A. Company Limited, in relation to their audit and non-audit services provided to the Group for the financial year ended 31 December 2006 amounted to HK\$480,000 (2005: HK\$500,000) and HK\$80,000 (2005: Nil) respectively. The responsibilities of the auditors with respect to financial reporting are set out in the section of "Independent Auditor's Report" on pages 35-36.

董事就財務報表所承擔之責任

董事負責監督每個財政期間財務報表的編製，以確保該等財務報表能夠真實和公平地反映該期間集團財政狀況、業績與現金流量。公司財務報表的編製均符合所有有關之法規及合適之會計準則。董事有責任確保選擇和連貫地應用合適之會計政策以及作出審慎和合理之判斷及估計。

內部監控

董事會全權負責維持集團健全和有效之內部監控系統，包括界定管理架構及其相關之權限、保管資產以防未經授權之使用或處理、確定適當之會計紀錄得以保存並可提供可靠之財務資料供內部使用或對外發放，並確保符合相關法例與規則。上述監控系統旨在合理地保證並無重大失實陳述或損失，並監管集團之營運系統以達成集團之業務目標。

截至二零零六年十二月三十一日止年度，董事會曾對集團於財務及營運職能、風險管理及監管合規等方面之重要內部控制效能進行檢討。董事會認為集團之內部監控系統有效。然而，董事會將透過定期檢討及外聘核數師於核數過程中識別出之建議，繼續改善內部監控系統。

核數師酬金

截至二零零六年十二月三十一日止財政年度，本集團就外聘核數師盧鄺會計師事務所有限公司提供核數及非核數服務而支付之酬金分別為480,000港元（二零零五年：500,000港元）及80,000港元（二零零五年：無）。核數師有關財務申報之責任載於第35至36頁「獨立核數師報告書」一節。

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MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code during the year and they all confirmed that they have fully complied with the required standard set out in the Model Code. The Company is considering adopting a code of conduct governing securities transactions with terms no less exacting than that required by the Listing Rules by employees who may possess or have access to price sensitive information.

COMMUNICATION WITH SHAREHOLDERS

The Company attaches great priority to establishing effective communications with its shareholders and investors. In an effort to enhance such communications, the Company provides information relating to the Company and its business in its interim and annual reports. The Company regards its Annual General Meeting as an opportunity for direct communications between the Board and its shareholders. All Directors, senior management and external auditors make an effort to attend the Annual General Meeting to address shareholders’ queries. The Company also responds to requests for information and queries from the shareholders and investors and welcomes the views of shareholders on matters affecting the Group and encourages them to attend shareholders’ meetings to communicate any concerns they might have with the Board or management direct.

進行證券交易之標準守則

公司已採納上市規則附錄10所載之上市公司董事進行證券交易之標準守則（「標準守則」）。公司已就有否於年內違反標準守則而向全體董事作出特定查詢，彼等均確認彼等一直遵守標準守則所訂之標準。公司正考慮對管有或可接觸股價敏感資料之僱員採納一套條款與上市規則規定看齊之進行證券交易之操守守則。

與股東之溝通

公司相當重視與股東及投資者建立有效溝通。為達到有效溝通，公司在中期報告和年報內提供有關公司及其業務之資料。公司視股東週年大會為重要事項，因其提供董事會與股東直接溝通之機會。全體董事、高級管理層及外聘核數師均盡力出席股東週年大會，以回應股東提問。公司亦回應股東與投資者索取資料之要求和提問，歡迎股東對影響集團之事宜提意見，亦鼓勵股東出席股東大會，讓股東直接向董事會或管理層表達所關注之事宜。