

Corporate Governance

Maintaining an effective and solid corporate governance framework is one of the top priorities of the Company. This includes informing our shareholders of our corporate practices in our Annual Report. We have complied with all the provisions of the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 14 of The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the accounting year ended December 31, 2006, except for deviation from Code Provision A.2.1 which is explained in the following relevant paragraphs.

The corporate governance principles of the Company emphasise a quality board, sound internal control, and transparency and accountability to all shareholders.

A. Directors

A.1 The Board

We are governed by a board of Directors (“Board”) which assumes the responsibility for leadership and control of the Company. Our Directors are collectively responsible for promoting the success of the Company by directing and supervising the affairs of the Company.

企業管治

保持一個有效及穩固之企業管治架構乃本公司最優先考慮事項之一。此舉包括於本公司年報中向本公司股東告知本公司企業常規。於截至二零零六年十二月三十一日止會計年度，本公司一直遵守聯合交易所有限公司證券上市規則附錄十四載列之「企業管治常規守則」(「企業管治守則」)全部條文，惟偏離守則條文第A.2.1條。於下文有關段落會說明此項偏離。

本公司企業管治原則強調高素質之董事會、穩健之內部監控，具透明度，以及向全體股東問責。

A. 董事

A.1 董事會

本公司由負責領導及管理本公司之董事會(「董事會」)管治。本公司董事集體負責指導及監督本公司事務以促使本公司成功。

A. Directors (continued)

A.1 The Board (continued)

The Board meets regularly, normally four times each year at approximately once every three months and additional meetings will be arranged if and when necessary. Regular Board meetings schedule of each year is normally made available to all Directors members at the beginning of the year and any amendments to this meeting schedule will be notified to Directors at least 14 days before a regular meeting. Special Board meetings will be held as and when necessary. Matters on transactions where Directors are considered having conflict of interests or material interests will not be dealt with by way of written resolutions and a separate Board meeting shall be held where Independent Non-executive Directors who have no material interests shall be present in the meeting. In addition, Directors considered having conflict of interests or material interests in the matters before the Board are required to declare their interests and abstain from voting for the relevant resolution.

Appropriate notices are given to all Directors for attending regular Board meetings and other meetings. A package containing agenda and all the relevant information is normally dispatched to the Directors three days in advance of the relevant meetings.

Board meetings involve the active participation, either in person or through electronic means of communication, of a majority of Directors. The Company Secretary assists the Executive Chairman in preparing the meeting agenda, and each Director may request the inclusion of items in the agenda. Directors are also consulted on matters to be included in the agenda for all regular meetings of the Board.

A. 董事(續)

A.1 董事會(續)

董事會定期開會，通常每年召開四次，大約每三個月一次。倘若或當有需要時亦另安排會議。每年董事會定期會議時間表通常於年初備妥以提前通知所有董事，該開會時間表之任何修訂均將於有關定期會議舉行前最少14天通知董事。有需要時將舉行特別董事會會議。當董事被認為於交易事項有利益衝突或擁有重大利益，該事項不會以書面決議案處理，而須舉行個別董事會會議，在交易中沒有擁有重大利益之獨立非執行董事須出席該會議。此外，當董事被認為與董事會審議事項有利益衝突或擁有重大利益，須申報其利益並放棄有關決議案之投票。

於董事會定期會議及其他會議前均向所有董事發出適當通知。通常於相關會議日期的三天前向董事發出議程及所有相關資料。

董事會會議均由大部份董事親身出席或透過電子通訊方法積極參與。公司秘書協助執行主席準備會議議程，各位董事皆可要求將商討事項列入議程，擬商訂事項在徵詢董事意見後方列入董事會所有定期會議議程。

A. Directors (continued)

A.1 The Board (continued)

Minutes of the Board meetings are recorded in detail and draft minutes are circulated to all Directors for review and comment before being approved by the Board immediately following the meeting. All the minutes of the meetings are properly kept by the Company Secretary and are available for inspection by the Directors during normal office hours.

The Board met 7 times in 2006. The attendance of individual Director at these Board meetings is as below:

Number of meeting	會議次數	7	
<i>Executive Directors:</i>			
Mr. Wing Sum LEE	李永森先生	0/7	(0%)
Mr. Richard Man Fai LEE	李文輝先生	6/7	(86%)
Mr. Sammy Chi Chung SUEN	孫志冲先生	6/7	(86%)
Mr. Jeff Man Bun LEE	李文彬先生	6/7	(86%)
Mr. Tik Tung WONG	汪滌東先生	7/7	(100%)
Mr. Waison Chit Sing HUI	許捷成先生	5/7	(71%)
<i>Non-executive Director:</i>			
Ms. Kam Har YUE	余金霞女士	1/7	(14%)
<i>Independent Non-executive Directors:</i>			
Mr. Boon Seng TAN	陳文生先生	6/7	(86%)
Mr. Raymond Cho Min LEE	李卓民先生	6/7	(86%)
Mr. Ying Kwan CHEUNG	張應坤先生	7/7	(100%)
Average attendance rate	平均出席率	72%	

The Company has also taken out appropriate insurance cover for our Directors in respect of legal actions taken against Directors and officers. The Board reviews the extent of the insurance cover every year.

A. 董事(續)

A.1 董事會(續)

董事會會議均作詳細記錄。而會議記錄的草稿均先由所有董事傳閱，並表達意見，方於緊隨會議結束後由董事會核准。所有會議記錄由公司秘書妥善保存，並供董事於正常辦公時間查閱。

二零零六年董事會舉行了7次會議。各董事於該等董事會會議之出席率如下：

本公司亦為其董事購買適當保險，以為董事及高級職員所面對法律行動提供保障。董事會每年檢討保險受保範圍。

A. Directors (continued)

A.2 Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Richard Man Fai LEE is the Executive Chairman and Chief Executive Officer. The Board considers that this structure will not impair the balance of power and authority between the Board and the management. This is because the Board has adopted clear guideline as to the power and authority of the Board and the management. There is a guideline as to the power and duties of Chief Executive Officer. The details were set out fully in the corporate governance report in 2005 annual report.

In addition, the Board which comprises experienced and high caliber individuals meets regularly to discuss issues and operation of the Group. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently.

As Executive Chairman of the Company, Mr. Richard Man Fai LEE has to ensure that all Directors are properly briefed on issues arising at Board meetings and that Directors receive adequate information, which must be complete and reliable, in a timely manner.

A. 董事(續)

A.2 主席及行政總裁

企業管治守則條文第A.2.1條規定，主席與行政總裁的角色應有區分，並不應由一人同時兼任。

李文輝先生為執行主席兼行政總裁。董事會認為此架構不會影響董事會與管理層之間之權力及授權均衡，因為董事會已就董事會與管理層之權力及職權採納清晰指引。對於行政總裁之權力及職責亦訂有指引。其全文已刊載於二零零五年年報的企業管治報告內。

此外，由擁有經驗及才幹之人士組成之董事會定期開會討論本集團之業務及運作。董事會相信，此結構有助於加強及維持一致之領導，使本集團得以迅速和有效地制定及實施決策。

作為本公司執行主席，李文輝先生須確保所有董事能妥善地獲得董事會會議上討論問題之通報，所有董事能收到充分及適時資料，而該等資料必須完整可靠。

A. Directors (continued)

A.3 Board composition

Currently, the Board comprises ten Directors, including six Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The Listing Rules require every listed issuer to have at least three independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Mr. Ying Kwan CHEUNG, one of the Independent Non-executive Directors, is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Each of the three Independent Non-executive Directors has confirmed his independency in accordance with Rule 3.13 annually.

Three of the six Executive Directors and the Non-executive Director are family members. Mr. Wing Sum LEE, an Executive Director, and Ms. Kam Har YUE, a Non-executive Director are spouse, Mr. Richard Man Fai LEE and Mr. Jeff Man Bun LEE, both of whom are Executive Directors, are their sons and brothers. Save as those disclosed herein, Board members do not have any family, financial or business relations with each other.

The biographies of our Directors are set out in the "Directors and Senior Management Profiles" section in this Annual Report. Details of the biography of the Director seeking re-election at the forthcoming Annual General Meeting to be held on May 31, 2007 are set out in the circular issued by the Company dated April 17, 2007 sent to shareholders together with this Annual Report. The Company also maintains on its website, <http://www.wokeehong.com.hk>, an update biography of the Directors.

A. 董事(續)

A.3 董事會組成

現時董事會由十名董事組成，其中執行董事六人，非執行董事一人，獨立非執行董事三人。上市規則要求每個上市發行人至少擁有三名獨立非執行董事，其中至少一人必須擁有適當專業資格或會計或相關財務管理專業技能。獨立非執行董事張應坤先生為英國特許公認會計師公會資深會員及香港會計師公會會員。三名獨立非執行董事每年均各自按照規則第3.13條，確認其獨立性。

六名執行董事的其中三位及一位非執行董事為家族成員關係。李永森先生(執行董事)與余金霞女士(非執行董事)為夫婦。李文輝先生及李文彬先生(均為執行董事)乃為彼等兒子，互為兄弟關係。除於此披露者外，董事會成員之間並無任何家族、財務或業務關係。

本公司董事之履歷載於本年度報告「董事及高層管理人員簡介」一節。擬於應屆股東週年大會(二零零七年五月三十一日舉行)膺選連任之董事之履歷詳情刊載於本公司於二零零七年四月十七日刊發，並與本年報一併寄發予股東之通函內。本公司亦於其網頁<http://www.wokeehong.com.hk>上載有董事履歷最新資料。

A. Directors (continued)

A.4 Appointments, re-election and removal of directors

Non-executive Directors of the Company are appointed for a specific term of two years, subject to re-election in accordance with the Bye-laws of the Company. All Directors, including those appointed for a fixed term, except for Mr. Richard Man Fai LEE, the Executive Chairman and Chief Executive Officer of the Company, are subject to the retirement by rotation provisions in the Bye-laws of the Company.

A Director appointed by the Board to fill a casual vacancy or as an addition shall hold office until the next general meeting.

According to the Wo Kee Hong (Holdings) Limited Company Act, 1991, no director holding the office of chairman or managing director shall be subject to retirement by rotation as provided in the Bye-laws of the Company. In order to comply with Code Provision A.4.2 that every director should be subject to retirement by rotation at least once every three years, Mr. Richard Man Fai LEE, the Executive Chairman and Chief Executive Officer of the Company, sent confirmation to the Company that he would voluntarily retire from his directorship at future annual general meetings of the Company at least once every three years, and being eligible for re-election, would offer himself for re-election at the relevant general meetings.

A. 董事(續)

A.4 董事之委任、重選和罷免

本公司非執行董事之委任指定任期為兩年，且須根據本公司之公司細則接受重選。所有董事(本公司執行主席兼行政總裁李文輝先生除外)，包括有固定任期之董事，須根據本公司之公司細則之規定輪席告退。

由董事會委任以填補臨時空缺或作新增之董事須任職至下屆股東大會為止。

根據和記行(集團)有限公司一九九一年之公司法，擔任主席或董事總經理職務之董事無須按本公司之公司細則輪席告退。為遵守守則條文第A.4.2條(即每名董事至少每三年輪席告退一次之規定)，本公司執行主席兼行政總裁李文輝先生已向本公司發出確認函，表示至少每三年於將來之股東週年大會上自願退任，彼有資格重選，亦將於相關股東大會上膺選連任。

A. Directors (continued)

A.4 Appointments, re-election and removal of directors (continued)

The Board has not established a Nomination Committee for reviewing new appointment of Directors and senior executives and management succession plan for Executive Directors and senior executives. Any Director can nominate potential Director candidate. The whole Board undertake the duties collectively of selection and assessment to ensure all candidates to be selected and appointed as a Director must be able to meet the standards set out in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an Independent Non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

A.5 Responsibilities of Directors

Each newly appointed Director is provided with a package of orientation materials setting out the required duties and responsibilities of Directors under the Listing Rules and other relevant statutory requirements of Hong Kong. Newly appointed Directors are invited to attend a briefing session on directors' duties and responsibility under laws and regulations conducted by legal professional. Our Directors are kept informed on a regular basis on the latest development of any latest changes to the regulatory requirements. All our Directors are encouraged to participate in continuous professional development seminars and/or courses to update their skills and knowledge on the latest development or changes in the relevant statutes, Listing Rules and corporate governance practices. On February 17, 2006, a presentation was given to all Directors and senior management of the Group on the major laws and regulations applicable to the Company.

A. 董事(續)

A.4 董事之委任、重選和罷免(續)

董事會尚未成立提名委員會，以審核新董事及高級行政人員之委任以及執行董事及高級行政人員之繼任計劃。任何董事均可提名董事候選人。全體董事會共同承擔遴選及評估責任，以確保所有獲挑選及獲委任為董事之候選人必須能夠符合上市規則第3.08條及第3.09條載列之標準。獲委任為獨立非執行董事之候選人亦須符合上市規則第3.13條載列之獨立性標準。

A.5 董事責任

每名新委任董事均獲得一套職務簡介材料，該等材料載列有關上市規則及香港其他相關法例規定下之董事職責及責任。新獲委任董事將獲邀出席一項由法律專業人士主持之簡介會，以了解董事根據法規之職責及責任。本公司定期通知董事有關任何最新法例規定之最新進展。本公司鼓勵所有董事參加持續專業技能發展研討會及／或課程，以更新其對相關法例、上市規則及企業管治常規之最新發展或修改。本公司已於二零零六年二月十七日舉行講座，向本集團所有董事及高級管理人員講述有關可適用於本公司之主要法律及規定。

A. Directors (continued)

A.5 Responsibilities of Directors (continued)

The functions of Non-executive Directors have included the functions as specified in Code Provision A.5.2(a) to (d) except for the Code Provision A.5.2(c) to the extent that the Company does not have a nomination committee.

The Company has adopted the standard set out in Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), of the Listing Rules, in relation to the dealings in securities of the Company by the Directors and employees of the Group.

Having made specific enquiry of all Directors, during the year ended December 31, 2006, the Directors have complied with the standard set out in the Model Code.

A.6 Supply of and access to information

In respect of regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers are sent in full to all Directors in a timely manner and at least three (3) days before the intended date of a Board meeting, an Audit Committee meeting or a Remuneration Committee meeting.

The Board and each Director have separate and independent access to the Group’s senior management. All Directors are entitled to have access to board papers, minutes and related materials.

A. 董事(續)

A.5 董事責任(續)

非執行董事之職能包括守則條文第A.5.2(a)至(d)條指定之職能，惟本公司並無提名委員會，未能符合守則條文第A.5.2(c)條指定之職能。

本公司已採納上市規則有關本集團董事及僱員買賣本公司證券之上市發行人董事證券交易標準守則(「標準守則」)附錄十載列之標準。

本公司已向所有董事作出具體查詢，於截至二零零六年十二月三十一日止年度期間內，董事已遵守標準守則載列之標準。

A.6 資料提供及使用

就董事會定期召開之會議及在其他情況下(只要實際可行)，會議之議程及相關會議文件全部適時送交全體董事，並至少在預期舉行董事會會議、審核委員會會議或薪酬委員會會議日期的三天前送出。

董事會及每名董事均能個別及獨立地接觸本集團高級管理人員。所有董事均有權獲取董事會會議文件、會議記錄及相關材料。

B. Remuneration of Directors and Senior Management

B.1 The level and make-up of remuneration and disclosure

The Remuneration Committee was established in accordance with the CG Code. The existing members of the Remuneration Committee are Mr. Boon Seng TAN, Mr. Ying Kwan CHEUNG, both of whom are the Independent Non-executive Directors and Mr. Tik Tung WONG, an Executive Director. Mr. Boon Seng TAN is the Chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are adopted with reference to the CG Code, including the specific duties set out in Code Provision B.1.3(a) to (f). During the year, the Remuneration Committee met on one (1) occasion with 100% attendance of all the members.

The Remuneration Committee has adopted a set of policy and guidelines to govern its administration in reviewing, considering and fixing the remuneration packages and benefits of Directors and senior management of the Group. During the year 2006, the Remuneration Committee had:

- reviewed the service agreements of all Executive Directors in accordance with the policy and guidelines adopted by it;
- made recommendations to the Board in relation to the renewal of the service agreements of two Executive Directors; and
- reviewed and recommended the relevant factors for determining the Executive Directors' bonus.

B. 董事及高級管理人員之薪酬

B.1 薪酬及披露的水平及組成

本公司已根據企業管治守則成立薪酬委員會。薪酬委員會現有成員為陳文生先生、張應坤先生（二人均為獨立非執行董事）及汪滌東先生（執行董事），陳文生先生為薪酬委員會主席。經參考企業管治守則而採納之薪酬委員會職權範圍，已包括守則條文第B.1.3(a)至(f)條載列之特定職責。年內，薪酬委員會已會晤了一次，全體成員均有出席。

薪酬委員會已採納一套政策及指引，以管理、審核、審議及確定本集團董事及高級管理人員之薪酬及福利。於二零零六年期間，薪酬委員會已：

- 根據其採納之政策及指引審核所有執行董事之服務協議；
- 就兩名執行董事服務協議之續期向董事會提出建議；及
- 審議並建議釐定執行董事花紅之相關要素。

B. Remuneration of Directors and Senior Management (continued)

B.1 The level and make-up of remuneration and disclosure (continued)

Full minutes of the Remuneration Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Remuneration Committee meetings are sent to all members of the Remuneration Committee for comments and approval.

C. Accountability and Audit

C.1 Financial reporting

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing accounts of each financial period, which give a true and fair view of the state of affairs of the Group and the results and cash flow for that period. In preparing the accounts for the year ended December 31, 2006, the Directors have:

- approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;
- selected and applied consistently appropriate accounting policies;
- made judgments and estimates that are prudent and reasonable;

B. 董事及高級管理人員之薪酬 (續)

B.1 薪酬及披露的水平及組成 (續)

薪酬委員會會議之詳細會議記錄由本公司秘書存置。薪酬委員會會議記錄之初稿及最後版本均送交薪酬委員會全體成員，以徵求其意見及批准。

C. 問責及核數

C.1 財務報告

管理層須向董事會提供充分的解釋及足夠的資料，讓董事會可以就提交給他們批准的財務及其他資料，作出有根據的評審。

董事負責監督本公司所有財務事項，妥善保管會計記錄並編制各財政期間之賬目，而該等賬目真實公平地反映本集團於該期間的業務狀況、業績及現金流量。編制截至二零零六年十二月三十一日止年度賬目時，董事已：

- 批准採納香港會計師公會頒布之所有可適用香港財務報告準則；
- 選擇並一貫採用適當之會計政策；
- 作出審慎及合理判斷及評估；

C. Accountability and Audit (continued)

C.1 Financial reporting (continued)

- prepared the accounts on the on-going concern basis.

The Board is accountable to its shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the Directors are responsible for presenting a balanced, clear and understandable assessment to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

Financial results of the Group are announced in a timely manner in accordance with all statutory requirements, particularly the timeframe stipulated in Rule 13.49(1) and (6) of the Listing Rules and the Directors acknowledge their responsibility for preparing the financial statements of the Group.

The Group's external auditors are HLB Hodgson Impey Cheng (the "Auditors"). The statement of the Auditors about their reporting responsibilities on the financial statements of the Group is set out on pages 60 to 61 of this Annual Report.

C. 問責及核數(續)

C.1 財務報告(續)

- 以持續經營為基礎編制賬目。

董事會須清晰及平衡地評審本公司財務狀況及前景，以向其股東負責。在此方面，董事有責任於年報及中期報告中提出平衡、清晰及易明的評估、其他涉及價格敏感資料的通告及根據上市規則須予披露的其他財務資料，及向監管者提交之報告書以至根據法例規定須予披露之資料。

本集團財務業績根據所有法例規定及時予以公布，尤其是在上市規則第13.49(1)及(6)條規定的時間內予以公布，而董事承認彼等有編制本集團財務報表之責任。

本集團外聘核數師為國衛會計師事務所(「核數師」)。核數師有關其對本集團財務報表申報責任之聲明載於本年報第60至61頁。

C. Accountability and Audit (continued)

C.1 Financial reporting (continued)

For the year ended December 31, 2006, no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern was reported on by the Auditors.

During the year 2006, the Auditors have performed audit and non-audit services and their remuneration in respect of audit and non-audit services is HK\$2,226,000 and HK\$1,699,000 respectively.

C.2 Internal controls

The Board is responsible for overseeing the Group's internal control system and to ensure that a sound and effective internal control system is maintained. The Board is responsible for approving and reviewing internal control policy while the responsibility of day-to-day management of operational risks and implementation of mitigation measures lies with the management. As the internal control system is designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure, and to achieve the business objectives of the Group. Accordingly, it can only provide reasonable assurance but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

C. 問責及核數(續)

C.1 財務報告(續)

於截至二零零六年十二月三十一日止年度，核數師概無呈報可對公司持續經營之能力構成重大疑問之相關重大不確定性。

於二零零六年，核數師已提供審核及非審核服務，彼等提供審核及非審核服務之薪酬分別為港幣2,226,000元及港幣1,699,000元。

C.2 內部監控

董事會負責監督本集團之內部監控系統，並確保維持一個健全及有效之內部監控系統。董事會負責批准及審核內部監控政策，管理層則負責經營風險之日常管理並實施舒緩措施。由於內部監控系統旨在將本集團之風險管理於某一可接受之風險範圍內(而非杜絕失誤之風險)，並達至本集團之業務目標，故對於管理及財務信息及記錄之重大錯誤陳述，或財務損失及欺詐，內部監控系統僅可提供合理保障而非絕對保障。

C. Accountability and Audit (continued)

C.2 Internal controls (continued)

Key control procedures of the Group's internal control system are as follows:

- Segregation of duties and functions of the respective operational departments of the Group
- Monitoring the strategic plan and performance
- Designing an effective accounting and information system
- Controlling price-sensitive information

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the internal control manual when there are changes to business environment or regulatory guidelines.

Starting from 2005, the Board has conducted an annual review of the effectiveness of its internal control system covering all material controls, including financial, operational and compliance as well as risk management. The Group has also engaged external auditors to conduct annual review and make recommendations for the improvement and strengthening of the internal control system.

C. 問責及核數(續)

C.2 內部監控(續)

本集團內部監控系統之主要控制程序如下：

- 分隔本集團各經營部門之職責及職能
- 監察策略方案及表現
- 設計一套有效之會計及資訊系統
- 控制價格敏感之資料

董事會已確立既定程序，以確定、評估及管理本集團所面對的重大風險，該程序包括當營商環境或規例指引變更時，更新內部監控系統。

董事會自二零零五年起即對內部監控系統進行年度檢討，有關檢討涵蓋所有重要控制，包括財務、經營、合規、及風險管理。本集團亦聘任外部核數師進行年度檢討及提出改善及加強內部監控系統之建議。

C. Accountability and Audit (continued)

C.2 Internal controls (continued)

The review by external auditors is conducted with reference to the principles outlined in Internal Control and Risk Management – A Basic Framework issued by the Hong Kong Institute of Certified Public Accountants. The assessment covers the major internal controls and measures, including financial, operational and compliance as well as risk management. The external auditors have reported an overall satisfaction on the improvements based on last year recommendations and current internal control system of the Group. Beside, the external auditors have made further recommendations to improve the internal control system summarised below:

1. Announcement procedure
 - New or revised Company Ordinance and listing rules should be circulated and initialled by the relevant employees.
2. Assets protection
 - Password for all entrances should be changed half-yearly to prevent unauthorised access to the office.
3. Personnel
 - The Group should perform the performance appraisals regularly which is not only providing a base for promotion but also giving a communication channel for employees' feedbacks and consultations on their job performance in order to improve efficiency.

C. 問責及核數(續)

C.2 內部監控(續)

外部核數師之檢討乃參考香港會計師公會頒布之「內部監控與風險管理－基本架構」所概述之原則進行。評估涵蓋主要內部控制及措施，包括財務、經營、合規、及風險管理。外部核數師已就去年建議已作之改進及本集團之現時內部監控系統，作出整體滿意之報告。此外，外部核數師已就改進內部監控系統提出進一步建議並概述如下：

1. 公布程序
 - 新訂或經修訂之公司條例及上市規則須經相關僱員傳閱及簡簽。
2. 資產保障
 - 所有入口之密碼須每半年更換一次，以杜絕未經許可進入辦公室。
3. 人事
 - 本集團須定期進行表現評估，該項評估不僅作為升職依據，並為僱員就彼等工作表現提供一條溝通管道，藉以改善效率。

C. Accountability and Audit (continued)

C.2 Internal controls (continued)

4. Information systems
 - Performance and completeness of every job should be evaluated. Before performing each job, approval by manager is required and a confirmation by the end-user is needed upon the completion of the job.

5. Purchases cycle
 - The Group should setup standard procedures and quality checking reports for all goods received. The quality checking reports should be checked and initialled by both preparer and the reviewer.
 - A maximum quantity and re-order level of each stock should be set up as guidance for the staff to follow.

6. Sales cycle
 - Accounts department should review the service invoice register. Follow up review on the missing invoices should be performed to ensure the completeness.

C. 問責及核數(續)

C.2 內部監控(續)

4. 資訊系統
 - 每項工作之表現及完成情況均須經評估。於進行每項工作前須經經理批准，而於完成工作後，須獲最終用家確認。

5. 採購週期
 - 本集團須針對所有已收貨品設立標準程序及素質核查報告。素質核查報告須由編制人員及審核人員核對及簡簽。
 - 須針對每項存貨設定最高數量及追加訂貨水平，作為員工遵循之指引。

6. 銷售週期
 - 會計部須核對服務發票冊。須針對遺失發票作跟進核對以確保完整性。

C. Accountability and Audit (continued)

C.2 Internal controls (continued)

7. Services cycle
- Services orders should be filed in sequential and timely manner.
 - Services manager should check and initial on the daily income summary before passing to finance division.
8. Properties leasing
- The Group should regularly review the environment in the car park for safety purpose. Additional mirrors should be provided for drivers to indicate the traffic condition within the car park.
 - The Group should consider consolidating the operation of properties leasing in the PRC and Hong Kong to the department of properties leasing.

Based on the assessments made by the external auditors, the Audit Committee and the Board considered that the key areas of the Group's internal control system are reasonably implemented with room for improvement. The Group shall use its best endeavour to implement the recommendations made by the external auditors in order to further improve the internal control system.

C. 問責及核數(續)

C.2 內部監控(續)

7. 服務週期
- 服務訂單須依次序及時存檔。
 - 服務經理須於核對並簡簽每日收入摘要後，方呈交財務部。
8. 物業租賃
- 為安全起見，本集團須定期檢討泊車場之環境。須加裝額外鏡子以便司機了解泊車場內之交通狀況。
 - 本集團須考慮將於中國及香港之物業租賃業務整合至物業租賃部。

根據外部核數師之評估，審核委員會及董事會認為本集團內部監控系統之主要環節均已合理落實，並有改進空間。本集團須竭力落實外部核數師之建議，以進一步改善內部監控系統。

C. Accountability and Audit (continued)

C.3 Audit Committee

The Audit Committee was established in December 31, 1998. The Terms of Reference of the Audit Committee are reviewed annually and have included the duties set out in Code Provision C.3.3(a) to (n) of the CG Codes. The existing members of the Audit Committee comprise Mr. Raymond Cho Min LEE, Mr. Boon Seng TAN and Mr. Ying Kwan CHEUNG, all of whom are Independent Non-executive Directors. Mr. Ying Kwan CHEUNG being a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants has the appropriate professional qualification and experience in financial field. Mr. Raymond Cho Min LEE is the Chairman of the Audit Committee.

During the year, the Audit Committee has conducted four (4) formal meetings and discharged its responsibilities. Attendance of individual member at the Audit Committee meetings in 2006 is as below:

Number of meeting	會議次數	4
Mr. Raymond Cho Min LEE	李卓民先生	3/4 (75%)
Mr. Boon Seng TAN	陳文生先生	4/4 (100%)
Mr. Ying Kwan CHEUNG	張應坤先生	4/4 (100%)
Average attendance rate	平均出席率	92%

The principal duties of the Audit Committee included reviewing the financial controls, internal control and risk management system, annual report and accounts, interim report and accounts.

C. 問責及核數(續)

C.3 審核委員會

審核委員會於一九九八年十二月三十一日成立。審核委員會之職權範圍每年均經審議並包括企業管治守則條文第C.3.3(a)至(n)條載列之職責。審核委員會現有成員包括李卓民先生、陳文生先生及張應坤先生，均為獨立非執行董事。張應坤先生為英國特許公認會計師公會資深會員及香港會計師公會會員，擁有適當之財務專業資格及經驗。李卓民先生為審核委員會主席。

年內，審核委員會召開了四次正式會議並履行其責任。二零零六年審核委員會各成員之出席率如下：

審核委員會之主要職責包括檢討財務監控、內部監控及風險管理制度、審閱年度報告及賬目、中期報告及賬目。

C. Accountability and Audit (continued)

C.3 Audit Committee (continued)

The following is a summary of the work performed by the Audit Committee during the year 2006:

- met with the external auditors to discuss the general scope of their audit work and the matters related to the audit of the financial statements for the years ended December 31, 2005;
- reviewed external auditor's management letter and management's response;
- considered and recommended to the Board adoption of new accounting standards;
- reviewed and recommended to the Board for approval of the audit fee proposal for the Group for 2005;
- reviewed the audited accounts and final results announcement for the year 2005;
- reviewed the interim report and the interim results announcement for the six months ended June 30, 2006;
- reviewed and recommended to the Board the conduct of internal control review for the Group;
- reviewed and considered the report of internal control and the effectiveness of the internal control system of the Group;

C. 問責及核數(續)

C.3 審核委員會(續)

審核委員會於二零零六年所履行之工作概述如下：

- 會晤外聘核數師，以討論其核數工作之整體範圍及與截至二零零五年十二月三十一日止年度財務報表審核有關之事宜；
- 審閱外聘核數師之管理層函件及管理層之回應；
- 審議並向董事會建議採納新會計準則；
- 審閱並向董事會建議批准二零零五年本集團核數費用建議；
- 審閱二零零五年度經審核賬目及末期業績公告；
- 審閱截至二零零六年六月三十日止六個月中期報告及中期業績公佈；
- 審議並向董事會建議進行本集團內部監控檢討；
- 審議並考慮內部監控報告及本集團內部監控系統之有效性；

C. Accountability and Audit (continued)

C.3 Audit Committee (continued)

- reviewed the non-audit services provided by the auditors of the Company and assess the independence and objectivity of the external auditors in relation to their provision of non-audit services;
- reviewed the related party transactions and compliance of the relevant Listing Rules and accounting policies in relation thereto.

All issues raised by the Audit Committee have been addressed by the management. The work and findings of the Audit Committee have been reported to the Board. During the year, no issues brought to the attention of the management and the Board were of sufficient importance to require disclosure in the Annual Report.

Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Audit Committee meetings are sent to all members of the Audit Committee for comments and approval.

The Interim and Annual Reports of the Company have been reviewed by the Audit Committee.

C. 問責及核數(續)

C.3 審核委員會(續)

- 檢討本公司核數師提供之非核數服務並評核外聘核數師提供非核數服務之獨立性及客觀性；
- 審核關連人士交易及遵守相關上市規則及其有關之會計政策。

管理層已處理審核委員會提出之所有事宜。審核委員會已向董事會報告其工作及調查結果。年內，管理層及董事會所知悉之事宜，其重要程度不足以須於年報內予以披露。

審核委員會會議之詳細會議記錄由本公司秘書存置。審核委員會會議記錄之初稿及最後版本均送交審核委員會全體成員，以徵求其意見及批准。

審核委員會已審閱本公司之中期報告及年報。

D. Delegation by the Board

D.1 Management functions

The Board oversees the Company's strategic development and determines the objectives, strategies and policies of the Group. It also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group's strategic objectives, and delegates the implementation of strategies, and day-to-day operation of the Group to the management. The Board is entrusted with certain reserved powers which were fully described in the corporate governance report in the 2005 Annual Report.

D.2 Board committees

Apart from the Audit Committee (particulars are disclosed under C.3) and the Remuneration Committee (particulars are disclosed under B.1), the Board has also established three other committees of the Board, namely the Financial Control Committee, the Executive Directors' Committee and the Operation Review Committee.

The composition and functions of the respective board committee were set out in the corporate governance report in the 2005 Annual Report.

D. 董事會權力之轉授

D.1 管理功能

董事會監察本公司之策略發展並釐定本集團之目標、策略及政策。其亦監控及控制經營及財務表現並制定風險管理之適當政策，以實現本集團之策略目標，並將本集團實施策略及日常經營之權力轉授予管理層。董事會受託擁有若干保留之權力，有關詳情刊載於二零零五年年報的企業管治報告內。

D.2 董事會轄下之委員會

除審核委員會(詳情載於C.3)及薪酬委員會(詳情載於B.1)外，董事會亦已成立另外三個董事委員會，即財務管理委員會，執行董事委員會及經營審核委員會。

各董事會轄下之委員會之組成及職能刊載於二零零五年年報的企業管治報告內。

E. Communication with Shareholders

E.1 Effective communication

The Company follows the practice that at the annual general meeting, a separate resolution is proposed in respect of each separate issue, including the re-election of Directors.

In every annual general meeting of the Company, the Chairmen of the Audit Committee and the Remuneration Committee or the members of the respective committees or their respective appointed delegates are present to answer questions of shareholders.

E.2 Voting by poll

The Company informs shareholders of the procedures for demanding a poll by incorporating them in the circular for annual general meetings and special general meetings. In addition, in every general meeting, the chairman of the meeting provides an explanation of the procedures for voting by poll at the commencement of the meeting.

The procedures for demanding a poll by the shareholders were incorporated in the circular for the forthcoming Annual General Meeting.

At the 2006 annual general meeting, the Executive Chairman has provided an explanation of the procedures for demanding poll by shareholders at the commencement of the meeting.

For and on behalf of the Board of Directors

Richard Man Fai LEE
Executive Chairman & CEO

Hong Kong, March 30, 2007

E. 與股東之溝通

E.1 有效溝通

根據本公司之慣例，於股東週年大會上，將就各個別事宜通過獨立決議案，包括重選董事。

於本公司各屆股東週年大會上，審核委員會及薪酬委員會主席或相關委員會之成員或其相關之獲委任代表均出席，以回答股東提出之問題。

E.2 以投票方式表決

於有關本公司股東週年大會或股東特別大會之任何通函內，均刊載以投票方式表決之程序，藉以知會股東。此外，於每次股東大會上，大會主席於會議開始時均會解釋以投票方式表決之程序。

股東要求以投票方式表決之程序已納入應屆股東週年大會之通函。

執行主席已於二零零六年股東週年大會開始時解釋股東要求以投票方式表決之程序。

承董事會命

執行主席兼行政總裁
李文輝

香港，二零零七年三月三十日