

Corporate Governance Report 企業管治報告

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions throughout the accounting year ended 31 December 2006, save for the exceptions specified and explained below.

1. an independent non-executive Director, Dr. Shan Weijian (“Dr. Shan”) was redesignated as a non-executive Director with effect from 9 June 2006 (the “Effective Date”) after his appointment as an executive Director of Taiwan Cement Corporation, the ultimate holding company of the Company. As a result of such change, the number of the independent non-executive Directors of the Company fell below the minimum number required under Rule 3.10(1) of the Listing Rules from the period between the Effective Date to 6 September 2006. With effect from 7 September 2006, Dr. Chih Ching Kang, Kenneth, has been appointed as independent non-executive Director of the Company to fill the said vacancy;
2. due to the resignation of an independent non-executive Director, Mr. Chung Kuohsien, David on 1 November 2006, the number of the independent non-executive Directors of the Company fell below the minimum number required under Rule 3.10(1) of the Listing Rules during the period from 1 November 2006 to 3 January 2007. With effect from 4 January 2007, Mr. Shieh, Jen-Chung, Roger, has been appointed as independent non-executive Director of the Company to fill the said vacancy;
3. the Company has not fixed the terms of appointment for the non-executive Directors which deviates from the provision of A.4.1 of the CG Code. However, they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision to the Company’s Article of Association, and their appointment will be reviewed when they are due for re-election. As such, in the opinion of the Directors, the principle of CG Code 4.1 that all directors should be subject to re-election at regular intervals has been upheld.

企業管治常規

截至二零零六年十二月三十一日止會計年度，本公司一直遵守守則條文，惟下文所述者除外：

1. 獨立非執行董事單偉建博士（「單博士」）獲委任為本公司之最終控股公司台灣水泥股份有限公司之執行董事後被調任為台泥之非執行董事，由二零零六年六月九日（「生效日期」）起生效。由於該變動，本公司之獨立非執行董事之數目於生效日期至二零零六年九月六日期間少於上市規則第3.10(1)條所規定之最少數目。池慶康博士已獲委任為本公司之獨立非執行董事以填補有關空缺，由二零零六年九月七日生​​效；
2. 由於獨立非執行董事鍾國賢先生於二零零六年十一月一日辭任，於二零零六年十一月一日至二零零七年一月三日期間，本公司之獨立非執行董事之數目於生效日期至二零零七年一月三日期間少於上市規則第3.10(1)條所規定之最少數目。謝禎忠先生已獲委任為本公司之獨立非執行董事以填補有關空缺，由二零零七年一月四日生​​效；
3. 本公司並未訂下非執行董事之固定委任年期，此舉偏離企業管治守則之條文第A.4.1條。然而，該等非執行董事須根據本公司之組織章程細則條文於本公司之股東週年大會輪值告退及膺選連任，並於彼等到期膺選連任時審閱其委任。故此，根據董事之意見，本公司已遵從企業管治守則第4.1條所提出所有董事須於定期期間膺選連任之原則。

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CODES OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct for securities transactions and dealings (the "Code of Conduct") based on the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. The terms of the Code of Conduct are no less exacting than the standards in the Model Code, and the Code of Conduct applies to all the relevant persons as defined in the Code, including the Directors of the Company, any employee of the Company, or a Director or employee of a subsidiary or holding company of the Company who, because of such office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. Having made specific enquiry, all Directors have fully complied with the required standard set out in the Model Code throughout the year of 2006.

BOARD OF DIRECTORS

During the year, the Board comprised two executive and five non-executive Directors of whom three are independent as defined by the Stock Exchange (the biographical details of the directors are set out on pages 21 to 25). The number of independent non-executive Directors and the non-executive Directors represents 43% and 71% of the Board respectively. To enhance independence and accountability, the role and responsibility of the Group Chairman, Mr. Koo, Cheng-Yun, Leslie and the Group Managing Director, Mr. Wu Yih Chin, is separated.

董事進行證券交易之操守守則

本公司已根據上市規則附錄10所載之上市發行人董事進行證券交易之標準守則，採納證券交易及買賣操守守則（「操守守則」）。操守守則之條款不遜於模準守則之標準，而操守守則適用於守則定義之所有相關人士，包括本公司董事、本公司任何僱員，或本公司附屬公司或控股公司之董事或僱員，因其職務或受聘而可能獲得有關本公司或其證券之未公佈而會影響股價之資料。經作出特定查詢後，全體董事於二零零六年全年已全面遵守標準守則所載之規定。

董事會

於本年度，董事會由兩名執行董事及五名非執行董事（其中三名是聯交所定義之獨立非執行董事）組成，董事之簡歷載於21頁至25頁。獨立非執行董事及非執行董事之數目分別佔董事會之43%及71%。為加強獨立性及問責性，集團主席辜成允先生與集團董事總經理吳義欽先生之職責獨立分開。

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At the Annual General Meeting of the Company held on 23 May 2006, special resolutions were passed to amend the Company's articles of association (the "Articles") so that all Directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment. Another special resolution was passed to amend the Company's Articles so that at every annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation.

The Board meets in person or through other electronic means of communication at least four times every year. The Board is responsible for overseeing the Group's businesses and development, formulating long term strategies and policies. The Board also monitors and controls operating and financial performance in pursuit of the Group's strategic objectives. All Directors and Board committees have recourse to external legal counsel and other professionals for independent advice at the Group's expense if they require it. The Board has delegated the day-to-day management and operation of the Group's businesses to management.

Pursuant to the requirements of the CG Code, two Board committees, namely, the Audit Committee and the Remuneration Committee were established to oversee particular aspects of the Group's affairs.

於本公司於二零零六年五月二十三日舉行之股東週年大會上已通過一項特別決議案修訂本公司之公司組織章程細則(「細則」),致使所有獲委任填補臨時空缺之董事須於獲委任後之首個股東大會上由股東選出。另一項特別決議案亦獲通過以修訂本公司之細則,致使於每屆股東週年大會上,三分之一之董事(倘人數並非三或三之倍數,則以最接近但不少於三分之一之人數為準)須輪值告退。

董事會每年至少舉行四次會議,董事可親身出席或透過其他電子途徑參與。董事會負責監督本集團之業務發展,制定長遠策略及政策。董事會亦監察及控制營運及財務表現,務求達至本集團之策略性目標。全體董事及董事會委員會均可在有需要時尋求外聘律師及其他專業人士之獨立意見,費用由本集團承擔。董事會已將本集團之日常管理及營運業務交予管理層處理。

根據企業管治守則之規定,本公司已成立兩個董事會委員會(審核委員會及薪酬委員會),負責監督本集團事務之特定範疇。

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Details of the attendance of individual Directors at the Board meetings and the two Committees meetings during the year are set out in the table below:

各董事年內於董事會議及兩個委員會會議之個別出席率載於下表：

		Meetings Attended/Held 出席／主持會議		
		Board 董事會	Audit Committee 審核委員會	Remuneration Committee 薪酬委員會
Executive Directors		執行董事		
Mr. Koo, Cheng-Yun, Leslie	辜成允先生	4/4	N/A	N/A
Mr. Wu Yih Chin	吳義欽先生	4/4	N/A	1/1
Non-executive Directors		非執行董事		
Dr. Shan Weijian (Note 1)	單偉建博士 (附註1)	4/4	1/3	1/1
Mr. Kao, Teh-Jung (Note 2)	高德榮先生 (附註2)	2/4	N/A	N/A
Mr. Hui-Bon-Hoa Pierre, Khien Piau (Note 3)	黃慶杓先生 (附註3)	0/4	N/A	N/A
Independent Non-executive Directors		獨立非執行董事		
Mr. Liao Poon Huai, Donald	廖本懷先生	4/4	3/3	1/1
Dr. Chih Ching Kang, Kenneth (Note 4)	池慶康博士 (附註4)	3/4	2/3	0/1
Mr. Chung Kuohsien, David (Note 5)	鍾國賢先生 (附註5)	2/4	1/3	1/1

Notes:

- Dr. Shan Weijian was redesignated as non-executive Director with effect from 9 June 2006 and resigned as members of the Audit Committee and Remuneration Committee with effect from 7 September 2006.
- Mr. Kao, Teh-Jung was appointed as non-executive Director with effect from 29 March 2006.
- Mr. Hui-Bon-Hoa Pierre, Khien Piau resigned as non-executive Director with effect from 26 June 2006.
- Dr. Chih Ching Kang, Kenneth was appointed as independent non-executive Director, members of the Audit Committee and Remuneration Committee with effect from 7 September 2006.
- Mr. Chung Kuohsien, David resigned as independent non-executive Director and members of the Audit Committee and Remuneration Committee with effect from 1 November 2006

附註：

- 單偉建博士已調任為非執行董事，由二零零六年六月九日起生效。此外，彼亦已辭任審核委員會及薪酬委員會成員職務，由二零零六年九月七日起生效。
- 高德榮先生獲委任為非執行董事，由二零零六年三月二十九日生效。
- 黃慶杓先生辭任非執行董事，由二零零六年六月二十六日生效。
- 池慶康博士獲委任為獨立非執行董事、審核委員會及薪酬委員會成員，由二零零六年九月七日起生效。
- 鍾國賢先生辭任獨立非執行董事、審核委員會及薪酬委員會成員職務，由二零零六年十一月一日生效。

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NOMINATION OF DIRECTORS

According to the Article of Association of the Company, the Board has the power from time to time and at any time to appoint any person as a Director either to fill a causal vacancy or as an addition to the Board. The nomination should be taken into consideration of the nominee's qualification, ability and potential contributions to the Company.

AUDIT COMMITTEE

The Audit Committee was established in 1999 and its members comprise solely independent non-executive Directors namely:

Mr. Liao Poon Huai, Donald	
Dr. Chih Ching Kang, Kenneth	(appointed on 7 September 2006)
Mr. Shieh, Jen-Chung, Roger	(appointed on 4 January 2007)
Dr. Shan Weijian	(resigned on 7 September 2006)
Mr. Chung Kuohsien, David	(resigned on 1 November 2006)

All members possess diversified industry experiences and appropriate professional qualifications as required under the Listing Rules.

The Audit Committee held three meetings during the year. Their major duties and responsibilities are set out in the terms of reference and the work conducted by the Audit Committee included the following matters:

1. Reviewed the Group's 2005 annual and 2006 interim reports, internal controls and corporate governance issues and made recommendations to the Board;
2. Recommended to the Board on the re-appointment of Deloitte Touche Tohmatsu ("Deloitte") as auditor;

董事提名

根據本公司之組織章程細則，董事會有權不時提名任何人士為董事以填補空缺或增加董事會成員。提名時應考慮獲提名人士之資格、能力及對本公司之潛在貢獻。

審核委員會

審核委員會於一九九九年成立，成員全為獨立非執行董事，包括：

廖本懷先生	
池慶康博士	(於二零零六年九月七日獲委任)
謝禎忠先生	(於二零零七年一月四日獲委任)
單偉建博士	(於二零零六年九月七日辭任)
鍾國賢先生	(於二零零六年十一月一日辭任)

所有成員均擁有各種行業經驗及上市守則所要求之合適之專業資格。

審核委員會於年內召開三次會議。審核委員會之主要職責詳列於其職責範圍，而審核委員會之工作包括：

1. 審閱本集團二零零五年年報及二零零六年中期報告、內部控制系統及企業管治事項及向董事會提出建議；
2. 就續聘德勤·關黃陳方會計師行（「德勤」）為核數師向董事會提出建議；

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3. Discussed with the external auditors their independence and the nature and scope of the audit;
4. Discussed with the external auditors any material queries raised by the auditors to management in respect of the accounting records, financial accounts or systems of control and management's response.

The Committee reviewed the Company's internal control based on the information obtained from the external auditors and Company's management and was of the opinion that there are adequate internal controls in place.

REMUNERATION COMMITTEE

The Remuneration Committee consists of three independent non-executive Directors and one executive Director:

Mr. Wu Yih Chin	
Mr. Liao Poon Huai, Donald	
Dr. Chih Ching Kang, Kenneth	(appointed on 7 September 2006)
Mr. Shieh, Jen-Chung, Roger	(appointed on 4 January 2007)
Dr. Shan Weijian	(resigned on 7 September 2006)
Mr. Chung Kuohsien, David	(resigned on 1 November 2006)

Its major terms of reference are summarized as follows:

1. To formulate and recommend to the Board the policy for the remuneration of the executive Directors and other senior executives as designated by the Board;
2. To determine the individual remuneration package of each executive Director including base salary, annual bonus plans and allocation of share options;

3. 與外聘核數師討論其獨立性及核數之性質及範圍；
4. 與外聘核數師討論其向管理層提出之任何有關會計記錄、財務帳戶或控制系統及管理層回應之重大查詢。

委員會根據取自外聘核數師及本公司管理層之資料審視本公司內部控制系統，認為已有足夠內部控制系統。

薪酬委員會

薪酬委員會成員包括三名獨立非執行董事及一名執行董事：

吳義欽先生	
廖本懷先生	
池慶康博士	(於二零零六年九月七日獲委任)
謝禎忠先生	(於二零零七年一月四日獲委任)
單偉建博士	(於二零零六年九月七日辭任)
鍾國賢先生	(於二零零六年十一月一日辭任)

其主要職責範圍概述如下：

1. 制定及向董事會建議由董事會指定之執行董事及其他高級行政人員之薪酬政策；
2. 釐定每一位執行董事個別之薪酬組合，包括基本薪金、年度花紅計劃及分派購股權；

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| <p>3. To consider and recommend to the Board any payment or compensation commitment to be made to an executive Director on termination of his contract;</p> | <p>3. 考慮及向董事會建議向任何約滿執行董事付給之任何款項或補償性承擔；</p> |
| <p>4. In formulating its policy, the Committee shall give due regard to the contents of the Listing Rules and shall also consider market forces and compare between different remuneration packages paid to Directors of other companies of a similar size in comparable industries. The executive Directors may attend meetings of the Remuneration Committee when invited to do so, but not when their own remuneration is being discussed; and</p> | <p>4. 在制定其政策時，委員會應充分考慮上市規則之內容，亦應考慮市場力量及比較可類比行業其他相似大小之公司付給其董事之不同之薪酬組合。執行董事可在獲邀下出席薪酬委員會會議，惟討論其自身薪酬之時除外；及</p> |
| <p>5. To determine any performance related remuneration schemes and executive share option schemes.</p> | <p>5. 釐定任何與業績掛鈎之獎金計劃及購股權計劃之執行。</p> |

The Committee is authorized by the Board to seek any information it requires from any employee of the Company in order to perform its duties.

委員會獲董事會授權向任何僱員索取任何有需要之資料，以履行其職責。

In connection with its duties the Committee is required by the Board to select, set terms of reference for and appoint remuneration consultants, at the Company's expense as the Committee deems necessary in order to perform its duties.

就委員會之職責，委員會須於其認為履行其職責必須時按董事要求選擇、制定職責範圍及委任薪酬顧問。

The Remuneration Committee sets the remuneration policy for the executive Directors and senior management. Specifically, the Remuneration Committee agrees their service contracts, salaries, other benefits, including bonuses and other terms and conditions of employment. It also agrees terms for their cessation of employment.

薪酬委員會制定執行董事及其他高級行政人員之薪酬政策。尤其是薪酬委員會協議彼等之服務合約、薪金、其他福利，包括花紅及其他聘任之條款及條件。它亦協議彼等終止聘任之條款。

One meeting was held in 2006 with the attendance rate of 100%. No executive Director takes part in any discussion about his own remuneration.

於二零零六年年度已經召開一次會議，出席率為100%。無執行董事參與任何有關其自身薪酬之討論。

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AUDITOR'S REMUNERATION

During the year, the fees charged to the accounts of the Company and its subsidiaries for the non-statutory audit services amounted to HK\$512,000. The non-statutory audit services consist of financial due diligence, tax compliance and the interim review. The cost of statutory audit services provided by external auditors was HK\$1,647,000. The responsibilities of the external auditors with respect to financial reporting are set out in the section of "Independent Auditor's Report" on page 49 to 50.

CONNECTED TRANSACTIONS

During the year, the Group had issued press announcement in respect of a number of 'connected transactions', details of which have been included in the Report of the Directors on pages 43 to 45 and the related press.

FINANCIAL REPORTING

The Board recognizes its responsibility to prepare the Company's accounts which give a true and fair view and are in accordance with generally accepted accounting standards published by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable.

INTERNAL CONTROL

The Board is entrusted with the overall responsibility for maintaining an adequate internal controls system and reviewing its effectiveness through the Audit Committee. The Company management maintains and monitors the systems of controls on an ongoing basis.

Based on the assessment made by the Company's management and external auditors during its statutory audit, the Audit Committee satisfied that the internal control system is sufficient to provide reasonable assurances that the Group's assets are safeguarded against loss from unauthorized use or disposition, transactions are properly authorized and proper accounting records are maintained. The system is designed to provide reasonable, but not absolute assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational system.

核數師酬金

於本年度內，本公司及其附屬公司賬目內就非法定核數服務扣除之費用為512,000港元。非法定核數服務包括財務盡職審查、稅項法規及中期審視。外聘核數師提供之法定核數服務成本為1,647,000港元。外聘核數師有關財務報告之責任於第49至50頁「獨立核數師報告書」一節中列出。

關連交易

於本年度內，本集團就多宗「關連交易」發出報章公告，詳情載於第43至45頁之董事會報告書及有關報章。

財務申報

董事會明白其有責任根據香港會計師公會頒佈之公認會計準則，編製真實公平之公司賬目。於編製過程中已選用適當會計政策並貫徹使用；作出之判斷及估計乃審慎合理。

內部監控

董事會之整體責任為維持奏效之內部監控系統，並透過審核委員會檢討其成效。本公司管理層長期維持及監察控制系統。

根據本公司管理層及外聘核數師於進行法定審核時進行之評估，審核委員會信納內部監控系統足以提供合理保證，確保本集團之資產受到保障，以防遭未經授權使用或處置，確保交易獲適當授權，並維持良好之會計紀錄。有關系統乃為提供合理保障而設，但對重大虛報或損失並無絕對保障，系統管理而並非消除本集團營運系統失效之風險。