

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholders' value.

### CODE ON CORPORATE GOVERNANCE PRACTICES

In the light of the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules which came into effect on 1st January, 2005, the Board has reviewed the corporate governance practices of the Company with the adoption and improvement of the various procedures and documentation which are detailed in this report. The Company has applied the principles of and complied with the applicable code provisions of the CG Code during the year ended 31st December, 2006, except for certain deviations as specified with considered reasons for such deviations as explained below. The Board will review the current practices at least annually and make appropriate changes if considered necessary.

### THE BOARD

The Board currently comprises eight Directors in total, with two executive Directors, three non-executive Directors and three independent non-executive Directors ("INEDs"). The composition of the Board during the year and up to the date of this report is set out as follows:

<b>Executive Directors:</b>	Patrick Lee Seng Wei ( <i>Chief Executive</i> ) Li Chi Kong
<b>Non-Executive Directors:</b>	Arthur George Dew ( <i>Chairman</i> )* Henry Lai Hin Wing Steven Lee Siu Chung
<b>INEDs:</b>	Alan Stephen Jones John Douglas Mackie Steven Samuel Zoellner

\* Appointed on 1st January, 2007

The brief biographical details of the Directors are set out in the "Profile of Directors and Senior Management" section on pages 20 and 21.

During the year, the Non-Executive Directors (half of whom are independent) provided the Group with a wide range of expertise and experience. Their active participation in the Board and committee meetings brings independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all shareholders.

Throughout the year, the Company had three INEDs representing not less than one-third of the Board. At least one of INEDs has the appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

本公司致力於切合實際之範圍內維持高水平之企業管治，以強調高透明度、問責性及獨立性為原則。董事會相信優良之企業管治對本公司之成功及提升股東價值至為重要。

### 企業管治常規守則

根據已於二零零五年一月一日起生效之上市規則附錄十四所載之企業管治常規守則（「企業管治守則」），董事會已審閱本公司之企業管治常規，並已採納及改進多項程序及文件，詳情載於本報告內。除下文解釋之若干已闡明原因之偏離行為外，於截至二零零六年十二月三十一日止年度，本公司已應用企業管治守則之原則及遵守適用之守則條文。董事會將至少每年審閱當時之慣例並在認為必要時作出適當變更。

### 董事會

董事會目前共由八名董事組成，其中二名為執行董事，三名為非執行董事及三名為獨立非執行董事（「獨立非執行董事」）。於年內及至本報告日為止，董事會成員載列如下：

<b>執行董事：</b>	李成偉 ( <i>行政總裁</i> ) 李志剛
<b>非執行董事：</b>	狄亞法 ( <i>主席</i> )* 賴顯榮 李兆忠
<b>獨立非執行董事：</b>	Alan Stephen Jones 麥尊德 Steven Samuel Zoellner

\* 於二零零七年一月一日獲委任

董事之履歷詳情載於第20及21頁之「董事及高級行政要員一覽」一節內。

於年內，非執行董事（半數為獨立非執行董事）為本集團提供廣泛之專業知識及經驗。彼等積極參與董事會及委員會會議，對本集團之策略、表現及管理程序之事宜提供獨立判斷，並顧及全體股東之利益。

於整個年度內，本公司之三名獨立非執行董事佔董事會人數不少於三分之一。根據上市規則第3.10條，至少一名獨立非執行董事必須具備適當之專業資格或會計或相關財務管理專業知識。董事會已接獲每名獨立非執行董事有關其獨立性之年度確認書，並認為所有獨立非執行董事均具備上市規則第3.13條所載之指引下之獨立性。

## THE BOARD (CONT'D)

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group in addition to the meetings for reviewing and approving the Group's annual and interim results. During the year, seven Board meetings were held and attendance of each Director at the Board meetings is set out as follows:

## 董事會(續)

除召開會議審閱及批准本集團之全年及中期業績外，董事會亦會定期召開會議，以討論本集團之整體策略以及營運及財政表現。於年內，已舉行七次董事會會議，各董事之出席情況如下：

		Number of Board meetings attended/eligible to attend 出席／具資格出席 董事會會議次數
<b>Executive Directors:</b>	<b>執行董事：</b>	
Patrick Lee Seng Wei ( <i>Chief Executive</i> )	李成偉 (行政總裁)	7/7
Li Chi Kong	李志剛	7/7
<b>Non-Executive Directors:</b>	<b>非執行董事：</b>	
Arthur George Dew ( <i>Chairman</i> )*	狄亞法 (主席)*	N/A 不適用
Henry Lai Hin Wing	賴顯榮	6/7
Steven Lee Siu Chung	李兆忠	7/7
<b>INEDs:</b>	<b>獨立非執行董事：</b>	
Alan Stephen Jones	Alan Stephen Jones	4/7
John Douglas Mackie	麥尊德	6/7
Steven Samuel Zoellner	Steven Samuel Zoellner	4/7

\* Appointed on 1st January, 2007

\* 於二零零七年一月一日獲委任

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointment or re-appointment, material contracts and transactions as well as other significant policy and financial matters. The Board has delegated the daily operations and administration to the executive management under the supervision of the Executive Committee which has its specific written terms of reference. The respective functions of the Board and management of the Company have been formalised and set out in writing which was approved by the Board in June 2005. The Board will review the same once a year.

經董事會決定或考慮之事宜包括本集團整體策略、全年營運預算、全年及中期業績、董事委任或重新委任之建議、重大合約及交易，以及其他重大政策及財務等事宜。董事會已將日常運作及行政委派予行政管理人員，並由執行委員會(其具有明確之書面職權範圍)監督。董事會及本公司管理層之職能已分別確立並以書面列載，且已於二零零五年六月獲董事會批准。董事會將每年對上述職能作出檢討。

Board meetings each year are scheduled in advance to facilitate maximum attendance of Directors and to be held at approximately quarterly intervals and as required by business needs. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comment before the same will be tabled at the following Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

每年董事會會議均提前預定，以方便更多董事可出席會議，並約每季及按業務需要而舉行。召開董事會會議一般會給予全體董事至少十四天之通知，以便彼等皆有機會提出商討事項列入會議議程。公司秘書協助主席編製會議議程，以及確保已遵守所有適用規則及規例。議程及隨附之董事會文件一般在舉行定期董事會會議(及就可行情況下，其他董事會會議)前三天發呈予全體董事。每份董事會會議記錄之初稿於提交下一次董事會會議審批前，先供全體董事傳閱並提出意見。所有會議記錄均由公司秘書保存，並於董事在任何合理時間作出合理通知時供彼等查閱。



## THE BOARD (CONT'D)

According to the current Board practice, any transaction which involves a conflict of interests for a substantial shareholder or a Director and which is considered by the Board to be material, will be dealt with by the Board at a duly convened Board meeting. The Articles of Association of the Company also stipulate that a Director should abstain from voting and not be counted in the quorum at meetings for approving transactions in which such Director or any of his associates have a material interest therein.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management. Directors will be continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, a written procedure was established in June 2005 to enable the Directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

## ROLES OF CHAIRMAN AND CHIEF EXECUTIVE

The roles of the Chairman and the Chief Executive are separate to reinforce their respective independence and accountability. Subsequent to the retirement of Sir Gordon Macwhinnie as the Non-Executive Chairman and an Independent Non-Executive Director of the Company on 30th December, 2005, the post of the Chairman was vacant until 1st January, 2007 when Mr. Arthur George Dew was appointed as a Non-Executive Director and Chairman. The Chairman of the Company is primarily responsible for the leadership of the Board, ensuring that (i) all significant policy issues are discussed by the Board in a timely and constructive manner; (ii) all Directors are properly briefed on issues arising at Board meetings; and (iii) the Directors receive accurate, timely and clear information. The functions of the Chief Executive are performed by Mr. Patrick Lee Seng Wei, an Executive Director of the Company, who is responsible for the day-to-day management of the Company. The responsibilities of the offices are clearly segregated and have been set out in writing and approved by the Board in June 2005.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

In June 2005, the Board established and adopted a written nomination procedure ("Nomination Procedure") specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Executive Committee shall, based on those criteria as set out in the Nomination Procedure (such as appropriate experience, personal skills and time commitment etc.), identify and recommend the proposed candidate to the Board for approval of an appointment.

Every newly appointed Director of the Company will receive an information package from the Company Secretary on the first occasion of his appointment. This information package is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by a director pursuant to the Companies Ordinance, Listing Rules and Securities and Futures Ordinance ("SFO"). In addition, this information package includes materials briefly describing the operations and business of the Company. Directors will be continuously updated on any major developments of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

## 董事會(續)

根據現時董事會慣例，任何涉及與主要股東或董事利益衝突且董事會認為屬重大之交易將由董事會於正式舉行之董事會會議上處理。本公司之組織章程細則亦規定董事應於批准該等董事或任何其聯繫人於其中擁有重大利益之交易時放棄投票並於會議上不計入法定人數內。

每位董事有權查閱董事會文件及相關資料，及可向公司秘書尋求意見及服務。董事會及各董事亦可個別及獨立地接觸本公司之高級行政要員。董事將獲持續提供上市規則及其他適用監管規定之最新發展之資料，以確保彼等遵守及秉持優秀企業管治常規。此外，書面程序已於二零零五年六月制定，以確保各董事有權在履行其職務時，可在適當之情況下尋求獨立專業意見，有關合理費用由本公司承擔。

## 主席及行政總裁之角色

本公司主席及行政總裁之角色有所區分，以加強各自之獨立性及問責性。自麥蘊利爵士於二零零五年十二月三十日退任為本公司非執行主席及獨立非執行董事後，主席一職一直懸空至二零零七年一月一日狄亞法先生獲委任為非執行董事及主席。本公司主席負責領導董事會，確保(i)所有重大政策問題乃經董事會以即時及建設性方式討論；(ii)所有董事能妥善地獲得董事會會議上討論問題之通報；及(iii)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。行政總裁一職由本公司執行董事李成偉先生擔任，其負責本公司之日常營運。此等職位之職責已清晰區分並於二零零五年六月經董事批准且以書面形式載明。

## 董事之委任及重選

於二零零五年六月，董事會設立並採納一套以書面列載之提名程序（「提名程序」），具體列明本公司董事候選人之挑選及推薦程序及準則。執行委員會應以提名程序所載之該等準則（如恰當資歷、個人專長及投放時間等）作為基礎以物色及向董事會推薦建議人選以予批准委任。

本公司每名新獲委任之董事將於首次委任時獲公司秘書發給一套資料。該套資料乃根據公司條例、上市規則以及證券及期貨條例董事須遵守之職責及持續責任之全面、正式及按每名董事情況專門編製之指引。此外，該套資料亦包括簡述本公司運作及業務之資料。董事將持續獲更新上市規則及其他適用之規管規定之任何重大發展，以確保彼等遵守及維持良好之企業管治常規。

## APPOINTMENT AND RE-ELECTION OF DIRECTORS (CONT'D)

Each of the Non-Executive Directors of the Company was appointed for a specific term which shall continue until 31st December, 2007, but subject to the relevant provisions of the Articles of Association of the Company or any other applicable laws whereby the Directors shall vacate or retire from their office.

According to the Articles of Association of the Company, at each AGM of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) should retire from office by rotation. Further, any Director appointed to fill a casual vacancy should hold office only until the next following general meeting of the Company whilst for those appointed as an addition to the Board should hold office until the next following AGM and in both cases, those Directors would then be eligible for re-election at the relevant meeting. Every Director shall be subject to retirement by rotation at least once every three years.

## BOARD COMMITTEES

The Board has established various committees, including the Remuneration Committee, Audit Committee and Executive Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members and the committees are required to report back to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned in the section "The Board" above, have been adopted for the committee meetings so far as practicable.

### Remuneration Committee

The Remuneration Committee has been established in December 1993 and currently consists of five members, including Messrs. Alan Stephen Jones (Chairman), John Douglas Mackie and Steven Samuel Zoellner being the INEDs, together with Messrs. Arthur George Dew and Henry Lai Hin Wing being the Non-Executive Directors. The Remuneration Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy if considered necessary.

The major roles and functions of the Remuneration Committee are:

- (i) to review and recommend to the Board the remuneration policy and packages of the Directors and, where appropriate, to consult the Chairman and/or Chief Executive about the committee's proposals relating to the remuneration of other Executive Directors;
- (ii) to review and recommend performance-based remuneration by reference to corporate goals and objectives approved by the Board from time to time;
- (iii) to review and recommend the compensation payable to Executive Directors relating to any loss or termination of their office or appointment;
- (iv) to review and recommend compensation arrangements relating to dismissal or removal of Directors for misconduct; and
- (v) to ensure that no Director is involved in deciding his own remuneration.

## 董事之委任及重選(續)

本公司每名非執行董事均有指定任期，並持續至二零零七年十二月三十一日止，惟董事之離任或退任須受本公司組織章程細則之相關規定或任何其他適用法律所規限。

根據於本公司組織章程細則，於本公司每屆股東週年大會上，三分之一當時在任之董事(或倘其人數並非三之倍數，則最接近但不少於三分之一之數目)須輪值退任。此外，任何填補臨時空缺而獲委任之董事僅可任職至下屆股東大會為止，而成為董事會新增之成員可任職至下屆股東週年大會為止，在該兩種情況中，在該等董事應可於相關會議上膺選連任。各董事須至少每三年輪值退任。每位董事須至少每三年輪值退任一次。

## 董事委員會

董事會已成立多個委員會，包括薪酬委員會、審核委員會及執行委員會，並以書面具體列明其職權範圍。委員會之所有會議記錄及決議案均由公司秘書保存，並提供副本予全體董事會成員傳閱，而各委員會需按其決定及建議(倘適合)向董事會匯報。於上文「董事會」一節提述董事會會議之程序及安排，按可行情況下被採納為委員會會議之程序及安排。

### 薪酬委員會

薪酬委員會已於一九九三年十二月成立。該委員會目前由五名成員組成，包括獨立非執行董事Alan Stephen Jones先生(主席)、麥尊德先生及Steven Samuel Zoellner先生，以及非執行董事狄亞法先生及賴顯榮先生。薪酬委員會獲提供充裕資源以履行其職務，並可按本公司政策在有需要時尋求獨立專業意見。

薪酬委員會之主要角色及職能如下：

- (i) 檢討董事之薪酬政策及待遇並向董事會建議，及(倘適合)就本公司其他執行董事薪酬相關之委員會建議，諮詢主席及／或行政總裁；
- (ii) 透過參照董事會不時批准之公司宗旨及目標以檢討並建議按表現釐定之薪酬；
- (iii) 檢討並建議向執行董事支付與任何喪失或終止職務或委任有關之賠償；
- (iv) 檢討並建議因董事行為失當而解僱或罷免有關董事所涉及之賠償安排；及
- (v) 確保概無董事參與釐定其本身之薪酬。



**BOARD COMMITTEES (CONT'D)****Remuneration Committee (Cont'd)**

The terms of reference of the Remuneration Committee of the Company were revised in June 2005 to comply with the code provision B.1.3 of the CG Code, but with a deviation from the code provision of the remuneration committee's responsibilities to determine the specific remuneration packages of all executive directors and senior management of a listed company. The Board considers that the Remuneration Committee of the Company should review (as opposed to determine) and make recommendations to the Board on the remuneration packages of Executive Directors only and not senior management for the following reasons:

- (i) the Board believes that the Remuneration Committee is not properly in a position to evaluate the performance of senior management and that this evaluation process is more effectively carried out by the Executive Directors;
- (ii) a majority of the Remuneration Committee members are INEDs who may not be industry skilled and come from differing professions and backgrounds and they are not involved in the daily operation of the Company. They may have little direct knowledge of industry practice and standard compensation packages. The Remuneration Committee is thus not in a position to properly determine the remuneration of the Executive Directors;
- (iii) the Executive Directors must be in a position to supervise and control senior management and thus must be able to control their compensation; and
- (iv) there is no reason for Executive Directors to pay senior management more than industry standards and thus shareholders will benefit by reducing costs in the fixing of such compensation packages.

The revised terms of reference of the Remuneration Committee are available on the website of the Company.

The Remuneration Committee shall meet at least once a year. One committee meeting was held in 2006 to review and discuss (i) the existing policy and structure for the remuneration of Directors; (ii) the existing remuneration packages of all the Executive Directors; and (iii) the existing remuneration of the Non-Executive Directors (including the INEDs) and the attendance of each member is set out as follows:

**董事委員會(續)****薪酬委員會(續)**

為遵守企業管治守則之守則條文B.1.3，本公司已於二零零五年六月修訂薪酬委員會之職權範圍，惟就該守則條文在薪酬委員會須釐定上市公司所有執行董事及高級行政要員之特定薪酬待遇之職責方面有所偏離。董事會認為，本公司薪酬委員會僅會就執行董事(不包括高級行政要員)之薪酬待遇作出檢討(而非釐定)，並僅向董事會作出建議，理由如下：

- (i) 董事會認為薪酬委員會並不適宜評估高級行政要員之表現，而有關評估程序由執行董事執行將更為有效；
- (ii) 薪酬委員會成員多數為獨立非執行董事，彼等來自不同行業、具有不同背景，或會對本公司經營之行業並不完全熟悉，且並無參與本公司之日常運作。彼等對有關業界慣例及薪酬待遇之標準亦可能無直接認識。故此，薪酬委員會並不適宜釐定執行董事之薪酬；
- (iii) 執行董事必須負責監管高級行政要員，因而須具有操控彼等之薪酬之權力；及
- (iv) 執行董事並無理由向高級行政要員支付高於業界標準之薪酬，而由彼等釐定其薪酬待遇可減省支出，將有利於股東。

薪酬委員會經修訂之職權範圍已於本公司網站內登載。

薪酬委員會每年須至少召開一次會議。於二零零六年已舉行一次委員會會議以審閱及討論(i)現有董事薪酬之政策及架構；(ii)所有執行董事之現有薪酬福利；及(iii)非執行董事(包括獨立非執行董事)之現有薪酬，而各成員之出席情況如下：

Committee member	委員會成員	Number of committee meeting attended/eligible to attend	
		出席／具資格出席	
		委員會會議之次數	
Alan Stephen Jones ( <i>Chairman</i> )	Alan Stephen Jones ( <i>主席</i> )		1/1
Arthur George Dew*	狄亞法*		N/A 不適用
Henry Lai Hin Wing	賴顯榮		1/1
John Douglas Mackie	麥尊德		1/1
Steven Samuel Zoellner	Steven Samuel Zoellner		1/1
* Appointed on 1st January, 2007		* 於二零零七年一月一日獲委任	

**BOARD COMMITTEES (CONT'D)****Remuneration Committee (Cont'd)**

In addition to the Committee meeting, the Remuneration Committee also dealt with matters through circulation of written resolutions during 2006 and up to the date of this report. In 2006 and up to the date of this report, the Remuneration Committee had performed the works as summarised below:

- (i) reviewed and recommended for the Board's approval the payment of performance bonus and increment in salary of the Chief Executive;
- (ii) reviewed and recommended for the Board's approval the payment of consultancy fee to an INED;
- (iii) recommended for the Board's approval regarding the renewal of the term of appointment and the relevant consultancy fees for the Non-Executive Directors and INEDs for one year commencing from 1st January, 2007; and
- (iv) recommended for the Board's approval regarding the term of appointment and remuneration package for the Chairman.

The remuneration payable to Directors will depend on their respective contractual terms under their employment contracts or service contracts as approved by the Board on the recommendation of the Remuneration Committee. Details of the Directors' remuneration are set out in note 14 to the consolidated financial statements.

**Audit Committee**

The Audit Committee has been established since December 1993 and currently consists of five Non-Executive Directors, three of whom are INEDs. To retain independence and objectivity, the Audit Committee has been chaired by an INED with appropriate professional qualifications or accounting or related financial management expertise since December 1993. The current members of the Audit Committee are Messrs. Alan Stephen Jones (Chairman), Arthur George Dew, Henry Lai Hin Wing, John Douglas Mackie and Steven Samuel Zoellner. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

**董事委員會(續)****薪酬委員會(續)**

除委員會會議外，薪酬委員會亦於二零零六年內及截至本報告之日為止透過傳閱書面決議案方式處理事宜。於二零零六年及截至本報告日為止，薪酬委員會已履行之工作概述如下：

- (i) 審閱及建議董事會批准支付行政總裁之花紅及增加其薪酬；
- (ii) 審閱及建議董事會批准支付一名獨立非執行董事之顧問費；
- (iii) 建議董事會批准非執行董事及獨立非執行董事之相關顧問費，及將其任期從二零零七年一月一日起續期一年；及
- (iv) 建議董事會批准主席之任期及薪酬福利。

董事獲發之薪酬乃按彼等各自之僱用合約或服務合約內之條款在薪酬委員會向董事會提出建議並獲批准後而釐定。董事薪酬之詳情載於綜合財務報表附註第14項。

**審核委員會**

審核委員會自一九九三年十二月成立，目前由五名非執行董事組成，其中三名為獨立非執行董事。為保持獨立性及客觀性，自一九九三年十二月起，審核委員會一直由一名具備合適專業資格或會計或相關財務管理專業知識之獨立非執行董事擔任主席。審核委員會之現有成員為Alan Stephen Jones先生(主席)、狄亞法先生、賴顯榮先生、麥尊德先生及Steven Samuel Zoellner先生。審核委員會獲提供充裕資源以履行其職務，並可按本公司之政策在有需要時尋求獨立專業意見。

**BOARD COMMITTEES (CONT'D)****Audit Committee (Cont'd)**

The major roles and functions of the Audit Committee are:

- (i) to consider and recommend to the Board on the appointment, re-appointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of those auditors;
- (ii) to consider and discuss with the external auditors the nature and scope of each year's audit;
- (iii) to review and monitor the external auditors' independence and objectivity;
- (iv) to review the interim and annual financial statements before submission to the Board;
- (v) to discuss any problems and reservation arising from the interim review and final audit, and any matters the external auditors may wish to discuss;
- (vi) to review the external auditors' management letters and management's response;
- (vii) to review the Group's financial controls, internal control and risk management systems;
- (viii) to review the internal audit plan, promote co-ordination between the internal and external auditors, and check that the internal audit function is adequately resourced and has appropriate standing within the Group; and
- (ix) to consider any findings of the major investigations from the internal audit and management's response.

The terms of reference of the Audit Committee of the Company were revised in June 2005 to comply with the code provision C.3.3 of the CG Code, but with a deviation from the code provision of the audit committee's responsibility to:

- (i) implement policy on the engagement of the external auditors to supply non-audit services;
- (ii) ensure the management has discharged its duty to have an effective internal control system; and
- (iii) ensure coordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the listed company.

**董事委員會(續)****審核委員會(續)**

審核委員會之主要角色及職能如下：

- (i) 考慮外聘核數師之委任、重新委任及罷免，並向董事會提供建議，以及批准外聘核數師之薪酬及聘用條款，並處理任何有關該等核數師辭任或辭退之問題；
- (ii) 考慮及與外聘核數師討論每年核數之性質及範疇；
- (iii) 檢討及監察外聘核數師之獨立性及客觀性；
- (iv) 於中期及全年財務報表提交董事會前先行審閱；
- (v) 商議就中期審閱及年終審核而產生之任何問題及保留事項，及外聘核數師擬商討之任何事宜；
- (vi) 審閱外聘核數師之致管理層函件及管理層之回應；
- (vii) 檢討本集團之財務監控、內部監控及風險管理系統；
- (viii) 審閱內部審核計劃，推動內部與外聘核數師之工作協調；及檢視內部審計功能是否有足夠資源運作，且在本集團具有適當地位；及
- (ix) 考慮內部審計部之主要調查之任何發現以及管理層之回應。

為遵守企業管治守則之守則條文C.3.3，本公司審核委員會之職權範圍已於二零零五年六月作出修訂，惟就該守則條文在審核委員會之職責方面有所偏離：

- (i) 執行委聘外聘核數師提供非核數服務之政策；
- (ii) 確保管理層已履行其職責建立有效之內部監控系統；及
- (iii) 確保內部與外聘核數師之工作得到協調，也須確保內部審計功能獲得足夠資源運作，並且在上市公司中具有適當之地位。

**BOARD COMMITTEES (CONT'D)****Audit Committee (Cont'd)**

The Board considers that the Audit Committee of the Company should recommend (as opposed to implement) the policy for the following reasons:

- (i) it is proper, and appropriate for the Board and its committees to develop policy and make appropriate recommendations;
- (ii) the proper and appropriate mechanism for implementation of such policy and recommendations is through the Executive Directors and management; and
- (iii) INEDs are not in an effective position to implement policy and follow up the same on a day-to-day basis.

Further, the Board considers that the Audit Committee of the Company only possesses the effective ability to scrutinize (as opposed to ensure) whether management has discharged its duty to have an effective internal control system. The Audit Committee is not equipped to ensure that the same is in place as this would involve day-to-day supervision and the employment of permanent experts. The Audit Committee is not in a position either to ensure coordination between the internal auditors and external auditors but it can promote the same. Similarly, the Audit Committee is not in a position to ensure that the internal audit function is adequately resourced but it can check whether it is adequately resourced.

The revised terms of reference of the Audit Committee are available on the website of the Company.

The Audit Committee shall meet at least twice a year. Two committee meetings were held in 2006 and the attendance of each member is set out as follows:

**董事委員會(續)****審核委員會(續)**

董事會認為本公司審核委員會應就政策作出建議(而非執行),理由如下:

- (i) 由董事會及其下設之委員會制定政策及作出合適之建議乃屬恰當及合適;
- (ii) 由執行董事及管理層執行該政策及建議乃屬恰當及合適之機制;及
- (iii) 獨立非執行董事並不適宜執行日常之政策及跟進工作。

此外,董事會認為本公司之審核委員會僅具備效能以監察(而非確保)管理層已履行其有效之內部監控系統之建立職責。由於上述事宜涉及日常監控及僱用全職之專業人員,因此審核委員會無能力確保上述事宜得以執行。審核委員會亦不適宜確保內部和外聘核數師之工作得到協調,惟其可推動該協調。同樣,審核委員會不可確保內部審計功能獲得足夠資源運作,惟可檢視其是否獲得足夠資源運作。

審核委員會經修訂之職權範圍已於本公司網站內登載。

審核委員會每年須至少召開兩次會議。於二零零六年已舉行兩次委員會會議,而各成員之出席情況如下:

**Number of committee meetings  
attended/eligible to attend  
出席/具資格出席  
委員會會議之次數**

Committee member	委員會成員	
Alan Stephen Jones ( <i>Chairman</i> )	Alan Stephen Jones ( <i>主席</i> )	2/2
Arthur George Dew*	狄亞法*	N/A 不適用
Henry Lai Hin Wing	賴顯榮	1/2
John Douglas Mackie	麥尊德	2/2
Steven Samuel Zoellner	Steven Samuel Zoellner	2/2

\* Appointed on 1st January, 2007

\* 於二零零七年一月一日獲委任

During the meetings held in 2006 and up to the date of this report, the Audit Committee had performed the work as summarised below:

- (i) reviewed the audit scope and fees proposed by the external auditors regarding the financial statements for the year ended 31st December, 2005 and recommended the same to the Board/Executive Committee for approval.;

於二零零六年及至本報告日為止舉行之會議,審核委員會已履行之工作概述如下:

- (i) 檢討外聘核數師就截至二零零五年十二月三十一日止年度之財務報表之審計範疇及酬金,並建議董事會/執行委員會予以批准;





**BOARD COMMITTEES (CONT'D)****Audit Committee (Cont'd)**

- (ii) reviewed the external auditors' report of findings in relation to the final audit of the Group for the year ended 31st December, 2005;
- (iii) reviewed the financial statements for the year ended 31st December, 2005 together with the relevant letter of representation and press announcement and recommended the same to the Board for approval;
- (iv) reviewed the audit scope and fees proposed by the external auditors regarding the 2006 interim review for the six months ended 30th June, 2006 and recommended the same to the Board/ Executive Committee for approval;
- (v) reviewed the external auditors' independent review report in relation to the 2006 interim review for the six months ended 30th June, 2006;
- (vi) reviewed the financial reports for the six months ended 30th June, 2006 together with the relevant letter of representation and press announcement and recommended the same to the Board for approval;
- (vii) reviewed the audit scope and fees proposed by the external auditors regarding the financial statements for the year ended 31st December, 2006 and recommended the same to the Board/ Executive Committee for approval;
- (viii) reviewed the Company's procedures manual and a subsidiary's internal control procedure;
- (ix) reviewed the financial statements for the year ended 31st December, 2006 together with the relevant letter of representation and press announcement and recommended the same to the Board for approval; and
- (x) reviewed the internal controls assessment report performed by an external consultant, and the report on Code on Corporate Governance Practices on Internal Controls (C.2), the relevant internal control documentation, and the overall risk profile analysis report of the Company issued by IAD.

**Executive Committee**

The Executive Committee has been established in January 1993 and currently consists of two Executive Directors, being Patrick Lee Seng Wei (Chairman) and Li Chi Kong. The Executive Committee is vested with all the general powers of management and control of the activities of the Group as are vested in the Board of the Company, save for those matters which are reserved for the Board's decision and approval pursuant to the written terms of reference of the Executive Committee.

The Executive Committee will meet as and when necessary to discuss the operating affairs of the Group. It is mainly responsible for undertaking and supervising the day-to-day management and is empowered:

- (i) to formulate and implement policies for the business activities and internal control and administration of the Group; and
- (ii) to plan and decide on strategies to be adopted for the business activities of the Group within the overall strategy of the Group as determined by the Board.

**董事委員會(續)****審核委員會(續)**

- (ii) 檢討外聘核數師就本集團截至二零零五年十二月三十一日止年度之年終審核結果之報告；
- (iii) 檢討截至二零零五年十二月三十一日止年度之財務報表連同相關聲明函件及報章公告，並建議董事會予以批准；
- (iv) 檢討外聘核數師就截至二零零六年六月三十日止六個月之二零零六年中期審閱建議之審計範疇及酬金，並建議董事會／執行委員會予以批准；
- (v) 檢討外聘核數師就截至二零零六年六月三十日止六個月之二零零六年中期審閱之獨立審閱報告；
- (vi) 檢討截至二零零六年六月三十日止六個月之財務報告連同相關聲明函件及報章公告，並建議董事會予以批准；
- (vii) 檢討外聘核數師就截至二零零六年十二月三十一日止年度之財務報表建議之審計範疇及酬金，並建議董事會／執行委員會予以批准；
- (viii) 檢討本公司之會計程序手冊及一間附屬公司之內部監控程序；
- (ix) 檢討截至二零零六年十二月三十一日止年度之財務報表連同相關聲明函件及報章公告，並建議董事會予以批准；及
- (x) 檢討外聘顧問所編製之內部監控評核報告，及企業管治常規守則內部監控(守則條文C.2)之報告、有關內部監控文件，以及內部審計部稽核部所編製之本公司風險分析報告。

**執行委員會**

執行委員會自一九九三年一月成立，目前由兩名執行董事組成，包括李成偉先生(主席)及李志剛先生。執行委員會獲授予本公司董事會所獲授關於本集團業務活動的所有一般管理及監控，惟根據執行委員會之書面職權範圍中須留待董事會決定及批准之該等事宜除外。

執行委員會於有需要時舉行會議，以討論本集團之營運事務。執行委員會主要負責處理及監察日常管理事宜，並有權：

- (i) 制定及落實有關本集團之商業活動、內部監控及行政政策；及
- (ii) 於董事會釐定之本集團整體策略範圍內規劃及決定就本集團商業活動將予採納之策略。

## CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code.

To comply with the code provisions A.5.4 of the CG Code, the Company has also established and adopted in June 2005 the Model Code for securities transactions by certain employees or officers of the Company who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its securities.

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Directors acknowledge their responsibility for preparing, with the support from the Accounts Department, the financial statements of the Group. In preparing the financial statements for the year ended 31st December, 2006, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance were complied with. The Directors believe that they have selected suitable accounting policies and applied them consistently, and made judgment and estimates that are prudent and reasonable and ensure the financial statements are prepared on the going concern basis.

The reporting responsibilities of the Company's external auditors, Messrs Deloitte Touche Tohmatsu ("Deloitte"), are set out in the "Independent Auditor's Report" on pages 45 and 46.

### Internal Control

The Board has the responsibility to ensure that the Group maintains sound and effective internal controls to safeguard the shareholders' investment and the Group's assets at all times.

The internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss; to manage rather than completely eliminate the risk of system failure; and to assist in the achievement of the Group's agreed objectives and goals. In addition to safeguarding the Group's assets, it should provide a basis for the maintenance of proper accounting records and assist in the compliance with relevant laws and regulations.

The Group's overall risk profile analysis report was prepared by IAD and issued to the Audit Committee and Board for review. A discussion of the policies and procedures for management of each of the major types of risk the Group is facing is included in note 5 to the consolidated financial statements and under the "Management of Risks" section contained in the "Review of Operations".

## 董事及相關僱員進行證券交易之守則

本公司已採納上市規則附錄10所載之《上市發行人董事進行證券交易的標準守則》(「標準守則」)，作為其董事進行證券交易之行為守則。經本公司作出特定查詢後，全體董事已確認彼等已遵照標準守則所載之規定標準。

為遵守企業管治守則之守則條文A.5.4，就若干被認為可能擁有關於本公司或其證券之未公開股價敏感資料之本公司之僱員或主管人員進行證券交易，本公司亦已於二零零五年六月採納標準守則為其準則。

## 問責及核數

### 財務報告

於會計部之協助下，董事確認彼等編製本集團財務報表之責任。於編製截至二零零六年十二月三十一日止年度之財務報表，已採用香港普遍接納之會計原則，並按照香港會計師公會頒佈之香港財務報告準則及香港會計準則以及香港公司條例之規定。董事認為所選定的會計政策適當並且貫徹應用，而所作判斷及估計審慎合理，亦確保按持續經營基準編製財務報表。

本公司外聘核數師德勤·關黃陳方會計師行(「德勤」)之匯報責任載於「獨立核數師報告」第45頁及第46頁。

### 內部監控

董事會負責確認本集團維持健全而有效內部監控，藉以保障股東投資及本集團之資產。

內部監控系統之設立目的在於就止存在重大錯誤陳述或損失提供合理(但非絕對)之保證；管控(但非完全杜絕)系統失誤情況；以及協助本集團達成議定宗旨及目標。除保障本集團之資產外，亦應提供準則以備存妥善之會計記錄及遵守有關法例及監管條例。

審核委員會及董事會已審閱由內部審計部所編製之集團風險分析報告。有關本集團面對各主要類別風險之管理政策及程序之論述，收錄於綜合財務報表附註5及「業務回顧」中「風險管理」一節內。

## ACCOUNTABILITY AND AUDIT (CONT'D)

## Internal Control (Cont'd)

The Group engaged the external consultant to perform an internal control assessment for two major business processes for the year ended 31st December, 2006. The consultant's report on the internal controls assessment was completed and distributed to the Audit Committee and the Board for their review. The independent review is part of the Board's plan to further strengthen our internal control systems and improve overall corporate governance culture. The IAD will carry out follow up review on findings and recommendations of the external consultant.

The Company's principal subsidiaries are managed under independent systems of internal controls. These subsidiaries have provided appropriate assurance on their compliance with the CG Code regarding internal control systems in general to the Company.

## Internal Audit

The Company's IAD was established in December 2006, with the Internal Audit Manager reporting to the Chairman and the Audit Committee. The Company's IAD will play an important role in providing assurance to the Board that a sound internal control system is maintained and operated by the management.

## External Auditors' Remuneration

During the year, the remuneration paid to the Company's external auditors, Deloitte, are set out as follows:

**Services rendered for the Group**  
向本集團提供之服務

Audit services	核數服務
Non-audit services	非核數服務
– Taxation services	– 稅項服務
– Other professional services	– 其他專業服務
Total	總額

## 問責及核數(續)

## 內部監控(續)

本集團委聘外聘顧問對截至二零零六年十二月三十一日止年度之兩項主要業務過程進行內部監控評估。該評估報告已提交審核委員會及董事會審閱。獨立審核乃董事會旨在進一步加強內部監控系統，以及全面完善企業管治文化。該顧問已完成編製內部監控評估報告，並已向審核委員會及董事會匯報。內部審計部門將會跟進檢討外聘顧問所提供之結果及建議。

本公司之主要附屬公司均受獨立內部監控系統管理。此等附屬公司已向本公司就遵循企業管治守則內之整體內部監控系統規定作出適當之保證。

## 內部審核

本公司之內部審計部於二零零六年十二月成立，內部審計經理向主席及審核委員會作報告。本公司之內部審計部將在向董事會保證管理層維持及營運良好之內部監控體系方面擔任重要角色。

## 外聘核數師之酬金

於年內，已支付本公司之外聘核數師，即德勤之酬金載列如下：

**Fees paid to Deloitte**  
支付予德勤之費用  
HK\$'000  
千港元

5,722

364

3,322

9,408

## COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of good communication with shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. As a channel to further promote effective communication, the corporate website is maintained to disseminate shareholder information and other relevant financial and non-financial information electronically on a timely basis.

The Company's AGM is a valuable forum for the Board to communicate directly with the shareholders. During the year 2006, the post of the Chairman was vacant and the Board elected one of its members to chair the AGM and to answer any questions from the shareholders. The Chairman of the Audit Committee and Remuneration Committee or in his absence, other members of the respective committees, are also available to answer questions at the AGM. The sole member of the independent board committee of the Company for advising the independent shareholders to approve a connected transaction regarding the conditional sale and purchase of the entire issued share capital of UAF Holdings was unable to attend the relevant extraordinary general meeting of the Company held on 9th August, 2006 as he was overseas during that period. A separate resolution is proposed by the Chairman in respect of each issue to be considered at the AGM. An AGM circular is distributed to all shareholders at least 21 days prior to the AGM, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. The Chairman explains the procedures for demanding and conducting a poll again at the beginning of the AGM, and (except where a poll is demanded) reveals how many proxies for and against have been received in respect of each resolution.

## CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Stock Exchange but also about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our shareholders to promote our transparency are also welcome.

On behalf of the Board



**Arthur George Dew**  
Chairman  
Hong Kong, 16th April, 2007

## 與股東之溝通

董事會瞭解與股東保持良好聯繫之重要性。有關本集團之資料乃按時透過多種正式途徑向股東傳達，包括中期報告及年報、公告及通函。為進一步提高有效之溝通，透過公司網站以電子方式及時向股東發佈資料及其他相關財務及非財務資料。

本公司股東週年大會乃董事會直接與股東聯繫之寶貴機會。於二零零六年，主席一職懸空，董事會選舉其一名成員主持股東週年大會並回應任何股東之查詢。審核委員會主席及薪酬委員會主席會於股東週年大會上回應查詢。倘若該等主席缺席，各委員會之其他成員亦可於股東週年大會上回應查詢。建議獨立股東批准有條件買賣UAF Holdings之全部已發行股本之關連交易之本公司獨立董事委員會之唯一成員於二零零六年八月九日舉行之相關本公司股東特別大會期間身在海外，因此未能出席會議。主席會就每項在股東週年大會上審議之議題提呈個別之決議案。股東週年大會通函會於股東週年大會舉行前至少二十一天發送予全體股東，該通函載列每項擬提呈決議案之詳情、投票程序(包括要求以股數投票方式進行表決之程序)及其他相關資料。主席於股東週年大會開始時，會再次解釋要求以股數投票方式進行表決之程序，及(除要求以股數投票方式表決外)宣佈就每項決議案已接獲委任代表之贊成及反對之票數。

## 提升企業管治水平

提升企業管治水平並非只為應用及遵守聯交所之企業管治守則，乃為推動及建立道德與健全之企業文化為依歸。吾等將不斷檢討並按經驗、監管變動及發展，於適當時候改善現行常規。本公司歡迎股東提供任何意見及建議以持續提高本公司之透明度。

代表董事會



主席  
狄亞法  
香港，二零零七年四月十六日