

# Corporate Governance Report

## 企業管治報告

The Company puts great emphasis on corporate governance and reviews and strengthens corporate governance measures from time to time. The board believes that shareholders can derive maximum benefits from good corporate governance.

Effective from 1st January 2005, the “Code of Best Practice” as set out in Appendix 14 of the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”) has been superseded by the “Code on Corporate Governance Practices” (the “Code”). The Code stipulates that the recommendations on the principles and two levels of good corporate governance including (1) code provisions: the listing issuer must strictly observe them and should provide reasons after detailed consideration pursuant to the requirements if there are any deviations from the code provisions; and (2) recommended best practices (only as guidelines).

The Company has adopted all code provisions of the Code as its own code on corporate governance practices. It is committed to and has applied the principles of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. During the year, the Company has complied with all code provisions of the Code, except the following code provisions:

- (1) Code provision A.4.1 provides that non-executive directors should be appointed for a specified term, subject to re-election. Please refer to page 21 of this annual report for details on the deviation.

### SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct for securities transactions by directors and has adopted written guidelines no less exacting than the Model Code for application to senior management and designated people who might have access to price sensitive information of the Group.

Following enquiries by the Company, all directors confirm that they have complied with the Model Code for the year ended 31st December, 2006.

### GOVERNANCE STRUCTURE

The Company’s corporate governance structure includes the board and two committees under the board, namely audit committee and remuneration committee. The board stipulates the terms of reference of all committees in writing and specifies clearly the power and responsibilities of the committees.

本公司對企業管治極為重視，並不時檢討及加強企業管治的措施。董事會相信股東可從良好的企業管治中獲得最大的利益。

由二零零五年一月一日起，《香港聯合交易所有限公司證券上市規則》（「上市規則」）附錄14所載的《最佳應用守則》已由《企業管治常規守則》（「該守則」）取代。該守則訂明良好企業管治的原則及兩個層次的有關建議，包括(1)守則條文：上市發行人需要切實遵守，若有任何偏離守則條文的行為，須按規定提供經過深思熟慮得出的理由；及(2)建議最佳常規（只屬指引）。

本公司已接納該守則的所有守則條文為本身的企業管治常規的守則。本公司已承擔及應用上市規則附錄14所載的《企業管治常規守則》。於本年度，本公司一直遵守該守則的所有守則條文，惟以下守則條文除外：

- (1) 守則條文第A.4.1項條款規定非執行董事應設有特定委任年期並須輪值告休。請參閱本年報第21頁。

### 董事進行證券交易

本公司已採納市規則附錄10所載的標準守則為董事進行證券交易的操守守則，並採納將不遜於標準守則的書面指引應用至高級管理人員及可能得悉本集團價格敏感資料的指定人士。

經本公司查詢後，全體董事確認彼等於截至二零零六年十二月三十一日止年度一直遵守標準守則。

### 管治架構

本公司的公司管治架構包括董事會及董事會轄下的兩個委員會，即審核委員會及薪酬委員會，董事會以書面訂明各委員的職權範圍，清楚說明委員的職權和責任。

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### BOARD OF DIRECTORS

Comprising of four executive directors and six non-executive directors (including three independent non-executive directors), the Board has an appropriate composition of directors. The non-executive directors are each appointed on an unspecified term. Please refer to page 16 of this annual report for composition of the board of directors.

All independent non-executive directors of the Company have complied with the requirements of the Listing Rules and have presented annual confirmation of independence issued pursuant to Rule 3.13 of the Listing Rules to the Company. The board has assessed their independence and confirms that all independent non-executive directors are independent parties as defined in the Listing Rules. Mr. Leung, Michael Kai Hung was appointed on 16th March 1988, Mr. Fan, Anthony Ren Da was appointed on 12th December 1994 and Mr. Ng Yiu Ming was appointed on 2nd July 2004. The appointment of directors are not fixed for a specified term, but at every annual general meeting, the directors are subject to the retirement and re-election requirements of the articles of association of the Company.

The family relationship among the directors are summarized as follows:

Mr. Wong, Wilson Kin Lae, Chairman and Dr. Wong, Philip Kin Hang are brothers.

Mr. Wong, Wilson Kin Lae is the father of Mr. Wong, Raymond Man Hin and uncle of Mr. Wong, Kennedy Ying Ho and Mr. Wong, John Ying Man.

Dr. Wong, Philip Kin Hang is the father of Mr. Wong, Kennedy Ying Ho and Mr. Wong, John Ying Man and uncle of Mr. Wong, Raymond Man Hin.

Mr. Wong, Kennedy Ying Ho and Mr. Wong, John Ying Man are brothers and they are cousins of Mr. Wong, Raymond Man Hin.

The directors have conducted a review of the effectiveness of the system of internal control of the issuer and its subsidiaries.

The board convenes at least two regular meetings each year (approximately each six months), and will convene meetings when necessary. When a regular board meeting is convened, the board documents will be sent to directors for review before the meeting pursuant to the Listing Rules and the Code Provisions so that directors can keep abreast of the information to perform their duties and responsibilities. The board convened 10 meetings in 2006.

### 董事會

董事會包括四名執行董事及六名非執行董事(包括三名獨立非執行董事)，董事會由適當董事組成。每名非執行董事之委任無特定委任年期。請參閱本年報第16頁。

本公司各獨立非執行董事已符合上市規則的要求，向本公司出示根據上市規則第3.13條發出的獨立性週年確認書。董事會已評估彼等之獨立性並確認所有獨立非執行董事均屬上市規則所界定之獨立人士。梁啟雄先生於一九八八年三月十六日獲委任，范仁達先生於一九九四年十二月十二日獲委任及伍耀明先生於二零零四年七月二日獲委任。董事之委任並無固定任期，惟於每屆股東週年大會，彼等並須遵行本公司細則有關退任及重選連任之規定。

董事之間的家族關係摘要如下：

主席黃乾利先生及黃乾亨博士是兄弟。

黃乾利先生是黃文顯先生的父親及黃英豪先生及黃英敏先生的叔父。

黃乾亨博士是黃英豪先生及黃英敏先生的父親及黃文顯先生的伯父。

黃英豪先生是黃英敏先生的兄弟。他們是黃文顯先生的堂兄弟。

董事已審閱發行人及附屬公司之內部監控系統之效用。

董事會每年最少召開二次定期會議(大約六個月一次)，亦會在有需要時召開會議。在召開定期董事會會議時，董事會文件乃根據上市規則及守則條文的規定於會議前送交予董事審閱，使董事能夠掌握有關資料，以便履行其職責和責任。董事會於二零零六年共召開10次會議。

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The attendance of directors is as follows:

董事出席情況如下：

Director Name 董事名稱		Attendance 出席 No. of meetings attended/ No. of meetings during term of service 出席會議次數/ 期內會議次數	Attendance Rate 出席率
<b>Executive directors</b> 執行董事			
Mr. Wong, Wilson Kin Lae ( <i>Chairman</i> )	黃乾利先生 (主席)	10/10	100%
Mr. Wong, Kennedy Ying Ho	黃英豪先生	5/10	50%
Mr. Wong, John Ying Man	黃英敏先生	5/10	50%
Mr. Wong, Raymond Man Hin	黃文顯先生	10/10	100%
<b>Non-executive directors</b> 非執行董事			
Dr. Wong, Philip Kin Hang	黃乾亨博士	2/10	20%
Mr. Huang, Zhouchang	黃宙昌先生	4/10	40%
Mr. Qiang, Wenyu	強文郁先生	2/10	20%
<b>Independent non-executive directors</b> 獨立非執行董事			
Mr. Leung, Michael Kai Hung	梁啟雄先生	4/10	40%
Mr. Fan, Anthony Ren Da	范仁達先生	4/10	40%
Mr. Ng, Yiu Ming	伍耀明先生	4/10	40%
<b>Alternate director</b> 代董事			
Mr. Xiong, Zhengfeng	熊正峰先生	—	—

The remuneration of directors is determined with reference to their functions and responsibilities in the Company, the performance of the Company and current market conditions. Director is not allowed to participate in determining his own remuneration. The remuneration received by directors from the Company during the year is set out in Note 14 of the financial statement. The board has set up an independent professional consulting procedure and upon reasonable request, directors are able to seek independent professional advice in appropriate circumstance, at the Company's expenses.

董事的酬金乃參考彼等各自於本公司的職務及責任、本公司的表現及現時的市況而釐定，任何董事不得參與訂定本身的酬金。董事於本年度向本集團收取的酬金詳情已載於財務報表附註14。董事會已定立一套董事諮詢獨立專業意見的程序，讓董事按合理要求，可在適當的情況下尋求獨立專業意見，費用由本公司支付。

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### AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors and one non-executive director with extensive experience in accounting or legal matters. The audit committee established with specific written terms of reference is mainly responsible for reviewing the financial statements and annual and half-yearly reports and accounts of the Company, submitting relevant reports and recommendations to the board, reviewing the Company's financial controls, internal control and risk management systems and making recommendations on the appointment and remuneration of the auditors of the Company and any matters related to the termination of appointment. Mr. Leung, Michael Kai Hung is chairman of the audit committee and is responsible for reporting the meeting results and recommendations of the audit committee to the board after each meeting.

In 2006, the audit committee convened 3 meetings. Members and their attendance are as follows:

Member Name 成員名稱		Attendance 出席	
		No. of meetings attended/ No. of meetings held during the year 出席會議次數/ 期內會議次數	Attendance Rate 出席率
Mr. Leung, Michael Kai Hung ( <i>Chairman</i> )	梁啟雄先生 (主席)	3/3	100%
Mr. Fan, Anthony Ren Da	范仁達先生	3/3	100%
Mr. Ng, Yiu Ming	伍耀明先生	3/3	100%
Mr. Huang, Zhouchang	黃宙昌先生	3/3	100%

Tasks undertaken by the audit committee during the year included reviewing the 2005 audited financial statements and the annual results announcement, reviewing the interim report for the six months ended 30th June, 2006 and the interim results announcement, considering the accounting standards adopted, reviewing the explanatory letter about audit submitted by the auditor to the management and the response of the management, the basis of opinion and qualified opinion made by the auditors in their report.

### 審核委員會

審核委員會由三名獨立非執行董事及一名非執行董事組成，在會計或法律方面有豐富經驗。審核委員會之書面權限範圍主要為負責審閱本公司的財務報表及年度及每半年報告及賬目、向董事會提交相關報告及推薦意見、審閱本公司之財務監控、內部監控及風險管理系統及就本公司核數師的委任、薪酬及任何與終止委聘有關事宜提出建議。梁啟雄先生為審核委員會的主席，負責於每次會議後向董事會報告審核委員會的會議結果及推薦意見。

於二零零六年，審核委員會共召開3次會議，成員出席情況如下：

審核委員會在年度內所做的工作包括審閱2005年度已審核財務報表及年度業績通告，審閱2006年6月30日止的六個月的中期報告及中期業績通告，考慮所採納的會計準則，審閱核數師提交管理層的審核情況說明函件及管理層回應，核數師在其報告書所作的意見基準及保留意見等事項。

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### REMUNERATION COMMITTEE

The remuneration committee comprises three independent non-executive directors, two executive directors and one non-executive director. The remuneration committee established with specific written terms of reference, is principally responsible for reviewing and approving remuneration plans for directors and senior management, determining the remuneration package of executive directors and senior management, including benefits, pension interests and the payment of compensation. Mr. Leung, Michael Kai Hung is chairman of the remuneration committee and is responsible for reporting the meeting results and recommendations of the remuneration committee to the board after each meeting.

In 2006, the remuneration committee convened one meeting. Members and their attendance are as follow:

### 薪酬委員會

薪酬委員會由三名獨立非執行董事，兩名執行董事組成及一名非執行董事組成。薪酬委員會之書面權限範圍主要為負責審閱及批准董事及高級管理人員的薪酬方案，釐定執行董事及高級管理層的薪酬待遇，包括利益、退休金權益及賠償支付。梁啟雄先生為薪酬委員會的主席，負責於每次會議後向董事會報告薪酬委員會的會議結果及推薦意見。

於二零零六年，薪酬委員會曾舉行1次會議，成員及出席情況如下：

Member Name 成員名稱		Attendance 出席 No. of meetings attended/ No. of meetings held during the year 出席會議次數/ 期內會議次數	Attendance Rate 出席率
Mr. Leung, Michael Kai Hung ( <i>Chairman</i> )	梁啟雄先生 (主席)	1/1	100%
Mr. Fan, Anthony Ren Da	范仁達先生	1/1	100%
Mr. Ng, Yiu Ming	伍耀明先生	1/1	100%
Mr. Huang, Zhouchang	黃宙昌先生	1/1	100%
Mr. Wong, Raymond Man Hin	黃文顯先生	1/1	100%
Mr. Wong, John Ying Man	黃英敏先生	1/1	100%

Tasks undertaken by the remuneration committee during the year included reviewing the remuneration structure, remuneration policy and bonus system of the Group, assessing performance of executive directors, considering the salary adjustment for the year and making recommendations to the board. The remuneration committee also ensures that no director or senior management member determines his own remuneration.

薪酬委員會在年度所做的工作包括檢討集團的薪酬架構、薪酬政策、獎金制度及考慮本年度的薪金調整等，評估執行董事表現，並向董事會提出建議。薪酬委員會並確保沒有董事或高級管理人員自行釐定本人的薪酬。



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The remuneration policy of the Group is to determine the remuneration of executive directors and senior management based on the responsibilities, qualifications and working performance of staff (including directors). No director or any of his associates is involved in deciding his own remuneration. Share options are granted to the Directors under the Scheme approved by shareholders at an Extraordinary General Meeting on 6th June 2003 and a refreshment of share option mandate limit under the Scheme that was approved by shareholders at the Annual General Meeting on 3rd June 2005.

#### ROLES OF THE BOARD AND MANAGEMENT

The board is principally responsible for setting the development direction of the Group, formulating targets and business development plans, approving major agreements and matters, monitoring the performance of senior management and is responsible for corporate governance with a view to increasing shareholders' value. Led by two general managers, the management is responsible for implementing the strategies and plans developed by the board.

The Company has developed a schedule of matters reserved to the board for its decision and has separately identified those functions reserved to the board. The board will review those arrangements on a regular basis to ensure that the arrangements meet the needs of the Company.

#### ROLES AND DUTIES OF CHAIRMAN AND GENERAL MANAGERS

The chairman and the general managers have different roles. The chairman is responsible for the operation of the board and the general managers are responsible for managing the operations of the Group. Their functions have been clearly divided to ensure a balanced distribution of power and no authority will concentrate on a single individual.

Mr. Wong, Wilson Kin Lae, chairman of the board and is principally responsible for leading the board and ensures the board acts in the best interests for the Company. The chairman shall ensure the board operates effectively and performs its proper duties and discusses all important and proper matters in a timely manner. The chairman is responsible for convening board meetings, consulting, determining and approving the agenda of each board meeting, and ensuring that directors are provided sufficient information on current matters in a timely manner. The chairman is also responsible for the structure, number of members and composition of the board and makes recommendations to the board on any intended changes. The chairman is also responsible for ensuring that the Company formulates good corporate governance practice and procedure.

本集團的薪酬政策是以執行董事及高級管理人員及員工(包括董事)的職責、資歷及工作表現而釐定其酬金。沒有董事或其他聯繫人士參予決定其本身的酬金。根據本公司於二零零三年六月六日舉行之股東特別大會上批准之購股權計劃及於二零零五年六月三日舉行之股東週年大會上批准之更新認股權授權限額，董事獲授予購股權。

#### 董事會及管理層的角色

董事會主要負責建立本集團的發展路向、訂立目標及業務發展計劃、審批重大協議及事項，監控高級管理層的表現及為公司管治負責，目標為股東增值。管理層由總經理帶領，負責推行董事會制訂的策略及計劃。

本公司已訂立一份保留予董事會決定的事項表，將那些保留予董事會的職能分別確定，董事會會定期檢討該等安排，以確保有關安排符合本公司的需要。

#### 主席及總經理的角色及責任

主席及總經理的角色不同。主席負責董事會運作，而總經理負責管理本集團業務，兩者之間的職務已清楚區分，以確保權力和授權分佈均衡，不致集中在一位人士。

董事會主席為黃乾利先生，主要職責包括領導董事會，確保董事會行事符合公司最佳利益。主席須確保董事會有效地運作及履行應有職責，並及時就所有重要的、適當的事項進行討論；主席負責召開董事會會議，諮詢、釐定及批准每次董事會會議的議程，並確保董事及時獲悉當前的事項及充分的資料。主席並負責定期檢討董事會架構、人數及組成，並就任何擬作出的變動向董事會提出建議。主席同時負責確保公司制定良好的企業管治常規及程序。

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Mr. Wong, Raymond Man Hin, deputy executive chairman, the executive director and General Manager, is principally responsible for the daily operation and management of the Group's overall operations and implementing the board's operating strategy and policy and delegating tasks to all departments for implementation so as to realize the board's objectives and decisions. In addition, he is also responsible for the Group's Financial Reporting, Internal Control, Material Procurement and Control, Logistics, Customs, Taxes and Legal matters and Compliance, coordinating close cooperation among all departments, uniting efforts of staff and encouraging the initiative of staff so as to ensure smooth and effective operation of the Company's operations and systems.

Mr. Wong, John Ying Man, executive director and General Manager, is principally responsible for the daily operation and management of the Group's overall operations and implementing the board's operating strategy and policy and delegating tasks to all departments for implementation so as to realize the board's objectives and decisions. In addition, he is also responsible for Research & Development, Production, Quality Assurance and New Product Innovations, coordinating close cooperation among all departments, uniting efforts of staff and encouraging the initiative of staff so as to ensure smooth and effective operation of the Company's operations and systems

### NOMINATION OF DIRECTORS

Pursuant to the articles of association of the Company, the board is entitled to appoint any person as director from time to time or at any time to fill a casual vacancy or add a new board member. For nomination, the nominee's qualifications, capabilities and potential to make contribution to the Company shall be taken into consideration. The board has not established a nomination committee at the moment. No meeting was held by the board of directors during the year in respect of the appointment and removal of directors. However, the board will assess from time to time whether there is a need to establish the nomination committee to deal with the appointment, re-election and retirement of directors. During 2006, there was no change on the member of Board. The retired directors offered themselves for re-election and were re-elected.

副執行主席，執行董事及總經理黃文顯先生，主要職責包括負責集團整體業務日常運作的經營及管理，貫徹董事會的經營策略及方針，下達任務至各部門執行，以實現董事會的目標和決定。此外，並負責本集團財務報告，內部監控，原料採購及監控，物流，稅項，法律事項及守則，協調各部門的緊密合作關係，團結員工的力量，鼓勵員工積極性，確保公司業務及制度暢順而有效地運行。

執行董事及總經理黃英敏先生，主要職責包括負責集團整體業務日常運作的經營及管理，貫徹董事會的經營策略及方針，下達任務至各部門執行，以實現董事會的目標和決定。此外，並負責研究及發展，生產，品質保證及創新新產品，協調各部門的緊密合作關係，團結員工的力量，鼓勵員工積極性，確保公司業務及制度暢順而有效地運行。

### 董事提名

根據本公司的組織章程細則，董事會有權不時或於任何時間委任任何人選為董事，以填補臨時空缺或新增為董事會成員，提名須考慮被提名人士之資格、能力及對本公司作貢獻的潛力。董事會現時並無成立提名委員會。本年度董事會並沒有就董事之委任及變動舉行會議。但董事會將不時作出評閱是否有需要成立提名委員會以處理董事的委任、重選及退任的事宜。於二零零六年度內，並無任何董事成員的變動。告休董事願應選及連任。

## Corporate Governance Report

### 企業管治報告

#### ACCOUNTABILITY AND AUDIT

Directors acknowledge their responsibility in preparing financial statements of the Group.

The finance department of the Company is managed by a qualified staff and supervised by executive director and general manager, Mr. Wong, Raymond Man Hin, who is a U.S. certified public accountant. With the assistance of the finance department, the board will ensure the preparation of the financial statements of the Group complies with relevant regulations and applicable accounting standards.

#### AUDITOR'S REMUNERATION

For the year ended 31st December 2006, the audit fee was approximately HK\$560,000. Non-audit service fee for the year amounted to approximately HK\$140,000.

The statement of reporting responsibility issued by Baker Tilly Hong Kong Limited, the auditor of the Company, in respect of the financial statements of the Group is set out in the independent auditors' report on pages 31 to 32.

#### COMMUNICATION WITH SHAREHOLDERS

The Company has maintained communication with shareholders through the annual general meeting or other general meetings and encourages them to participate in general meetings. Registered shareholders receive notices of general meetings by post. The notice of general meeting contains the agenda, the proposed resolutions and the voting form. Any registered shareholder is entitled to attend the annual general meeting and special general meetings provided that their shares must be registered in the register of members. Shareholders who are unable to attend the general meeting can fill in the proxy form attached with the notice of general meeting and return the same to the share registrar and transfer office of the Company so as to appoint their representatives or the chairman of the meeting as their proxies. The procedure for demanding voting by poll is set out in the notice of general meeting and will be read out by the chairman of the meeting at the general meeting.

At the 2006 annual general meeting, the chairman of the board, the audit committee and the remuneration committee were present to answer questions raised by shareholders and proposed separate resolutions in respect of each substantially separate issue.

#### 問責及審核

董事確認須就編製本集團財務報表承擔有關責任。

本公司財務部由合資格職員管理並由執行董事及總經理黃文顯先生，他是美國執業會計師監管及負責管理財務部。在財務部的協助下，董事會確保本集團財務報表的編製符合有關法規及適用的會計準則。

#### 核數師酬金

截至二零零六年十二月三十一日止年度，審核費用約港幣56萬元，本年度非審計服務費用約港幣14萬元。

本公司核數師正風會計師事務所有限公司就本集團財務報表所發表的申報責任聲明已載於第31頁至32頁的獨立核數師報告中。

#### 與股東的溝通

本公司就此透過股東週年大會或其他股東大會與股東一直保持溝通並鼓勵彼等參與股東大會。登記股東以郵遞方式收取股東週年大會通告。大會通告載有議程、提呈的決議案及投票表格。任何登記股東有權出席股東週年大會，惟彼等的股份必須登記於股東名冊內。未能出席股東大會的股東可填妥隨附於大會通告的代表委任表格並交回本公司股份過戶處，以委任彼等之代表或大會主席擔任彼等的代表。有關要求以股數投票表決之程序已載於連同召開股東大會通告內，並由會議主席於股東大會上讀出。

在二零零六年股東週年大會上，董事會主席、審核委員會主席及薪酬委員會的主席均有出席，以回應股東的提問，並就每項實際獨立的事宜，分別提出獨立議案。