

Corporate Governance Report

企業管治報告

The Board of Directors of the Company (the “Board”) is committed to maintaining good corporate governance standard and procedures which emphasize a quality management, and transparency and accountability to all shareholders.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31st December, 2006, except that:

- (a) none of the existing independent non-executive Directors of the Company are appointed for a specific term and the Articles of Association of the Company do not prescribe to have the Directors of the Company retired by rotation at least once every three years. However, one-third (or the number nearest thereto) of all the Directors of the Company (including the independent non-executive Directors) for the time being shall retire by rotation at the Company’s annual general meetings and shall be eligible for re-election in accordance with the Articles of Association of the Company; and
- (b) Madam Hsu Feng, the Managing Director of the Company, has been elected Chairman of the Board since December 2006, with specific duties set out in writing. Though she continues to take up the post of Managing Director, no power is concentrated in any one individual of the Board. The Company’s daily business management is shared amongst Madam Hsu and other members of the executive committee of the Board which was set up with specific written terms of reference. Besides, all major decisions are made in consultation with members of the Board and appropriate committees of the Board. The Board is of the view that there is an adequate balance of power.

本公司董事局（「董事局」）致力堅持以強調優質管理及對所有股東保持透明度和問責性的良好企業管治水平和程序。

企業管治常規

本公司在截至二零零六年十二月三十一日止年度已採納香港聯合交易所有限公司《證券上市規則》（「《上市規則》」）附錄十四所載之《企業管治常規守則》（「該《守則》」）內之原則並一直遵守所有守則條文，惟下文所述者除外：

- (a) 本公司之現任獨立非執行董事均無指定任期，而本公司之《公司組織章程細則》亦沒有規定本公司之董事需至少每三年輪流退任一次。然而，根據本公司之《公司組織章程細則》之規定，本公司當時所有在任董事（包括獨立非執行董事）中三分之一（或最接近三分之一之數目）之成員須在本公司股東週年大會上依章輪值告退，惟可競選連任；及
- (b) 本公司董事總經理徐楓女士已自二零零六年十二月起獲推選為董事局主席，有關職務已以書面特定列載。雖然徐女士繼續兼任董事總經理一職，但權力並沒有集中在董事局中任何一位成員身上。本公司之日常業務管理由徐女士與董事局轄下具有書面特定職權範圍的執行委員會中其他成員共同分擔，且所有重大決定均經董事局及其轄下之適當委員會商議後才作出。董事局認為已有足夠的權力平衡。

THE BOARD

The Board is currently composed of six members, including three executive Directors, Madam Hsu Feng (Chairman and Managing Director), Mr Tong Albert (Vice-Chairman) and Mr Chuang Hsiao-Chen, and three independent non-executive Directors, Madam Tung Wai Yee, Mr Cheung Siu Ping, Oscar and Mr Lee Chan Fai.

Biographical details of the Directors and relevant relationships among them together with their respective roles in the Board and its committees are set out in the Profile of the Directors and Officers on pages 27 to 29.

The independent non-executive Directors of the Company represent a half of the Board and one of them has the professional accounting qualifications as required by the Listing Rules. The Company has received a written confirmation from each of the independent non-executive Directors of his independence pursuant to Rule 3.13 of the Listing Rules and considers all of the independent non-executive Directors to be independent.

The Board commits itself to acting in the best interests of the Company and its subsidiaries (altogether the “Group”), and the shareholders. The principal functions of the Board are to formulate strategy, to consider and approve the Group’s major corporate matters, to monitor and control significant operational and financial matters of the Group. The independent non-executive Directors have contributed valuable independent views and proposals for the Board’s deliberation and decisions.

The Board meets regularly throughout the year as and when required. Sufficient notices are given to all Directors at least 14 days before the regular Board meetings so as to facilitate maximum attendance of the Directors. The Company Secretary assists the Chairman of the Board in setting the agenda for the regular meetings and all Directors are consulted to include any matters in the agenda. Agenda and accompanying board papers are given to all Directors in a timely manner before the appointed date of the meetings. Drafts and final versions of minutes of those meetings are circulated to the Directors for comment and record respectively within a reasonable time after each meeting. During the year of 2006, four regular meetings were held by the Board.

董事局

董事局現由六位成員組成，包括三位執行董事，即徐楓女士（主席兼董事總經理）、湯子同先生（副主席）和莊然真先生，以及三位獨立非執行董事董慧儀女士、張兆平先生和李燦輝先生。

有關董事的個人資料詳情和相互之間的關係，以及彼等在董事局及其轄下之委員會中的相關職責列載於第27至第29頁董事及高級行政人員簡介中。

本公司獨立非執行董事佔董事局一半席位，而其中一位具有《上市規則》規定的會計專業資格。本公司已收到每一位獨立非執行董事根據《上市規則》第3.13條之規定就有關彼等之獨立性發出的書面確認，並認為全體獨立非執行董事均屬獨立人士。

董事局承諾以本公司及其附屬公司（統稱「本集團」）和股東的最佳利益行事。董事局的主要功能是制訂策略、考慮和審批本集團之主要企業事項、以及監控本集團的重大營運及財務事項。獨立非執行董事為董事局之審議及決定，提供了寶貴的獨立意見及建議。

董事局在年度內定期及有需要時舉行會議。本公司在董事局定期會議舉行日期前最少十四天向所有董事發出充足的通知，藉以提高董事之出席率。本公司之公司秘書協助董事局主席編製該等定期會議的議程，而所有董事均被諮詢在議程中加入任何議題。議程及相關的董事局文件在指定會議舉行日期前適時呈送予所有董事。在每次會議結束後之合理時段內，該等會議之會議記錄初稿及最後定稿均分別發送予各董事以徵求意見及作為記錄。於二零零六年度內，董事局共舉行了四次定期會議。

The Board has established an executive committee, an audit committee and a remuneration committee (collectively the “Committees”) with clear written terms of reference to oversee particular aspects of the Company’s affairs and to assist in sharing the Board’s responsibilities. The Board has reserved for its decision or consideration matters covering corporate strategy, annual and interim results, changes of members of the Board and the Committees, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. All the Committees have to report regularly to the Board on their decisions and recommendations. The management is responsible for implementing the strategies and plans adopted by the Board and the Committees.

The Board has agreed on a procedure to enable the Directors to seek independent professional advice whenever deemed necessary, at the Company’s expense, to assist them to discharge their duties. All Directors are kept informed on a timely basis of major changes that may affect the Group’s business, including relevant rules and regulations.

The Company has arranged appropriate liability insurance to indemnify its Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Executive Committee

An executive committee (the “Executive Committee”) was established by the Board with specific written terms of reference in June 2005. The Executive Committee now comprises three executive Directors of the Company, namely Madam Hsu Feng, Mr Tong Albert and Mr Chuang Hsiao-Chen, and Madam Hsu Feng is the chairman of the Executive Committee. The Executive Committee may convene meetings as it considers necessary for reviewing and approving, inter alia, any matters concerning the day-to-day management of the business of the Company and any matters to be delegated to it by the Board from time to time.

董事局已成立一個執行委員會、一個審核委員會以及一個薪酬委員會(統稱「委員會」)，委員會具有由書面訂明的清晰職權範圍以監察本公司特定範疇之事務，並協助分擔董事局的職責。董事局已保留其有關企業策略、年度和中期業績、董事局及委員會的成員變動、主要收購、出售和資本交易，以及其他重大營運和財務事項方面的決策或考慮該等事項的權力。所有委員會必須定期向董事局匯報其決策及建議。管理層須負責落實董事局及委員會所採納的策略和計劃。

董事局已協定一個程序以便董事可無論何時在認為需要時尋求獨立專業意見，以協助彼等履行其職責，有關費用由本公司支付。所有董事會適時獲知可能影響本集團業務的重大變化，其中包括相關法則及規例之修訂。

本公司已就彌償其董事因從事企業活動所產生的責任而安排適當的責任保險。保險之保障範圍將每年予以檢討。

執行委員會

董事局於二零零五年六月已設立一個具有由書面訂明特定職權範圍的執行委員會(「執行委員會」)。執行委員會現由本公司三位執行董事(即徐楓女士、湯子同先生和莊然真先生)組成，而徐楓女士則為執行委員會的主席。執行委員會可在認為需要時召開會議，以審閱和批准(其中包括)有關本公司日常業務管理和不時由董事局委派處理的任何事項等。

Remuneration Committee

A remuneration committee (the “Remuneration Committee”) was established by the Board with specific written terms of reference in June 2005. The principal duties of the Remuneration Committee are to make recommendation to the Board on the Company’s policy and structure for remuneration of the Directors and senior management of the Company and to determine specific remuneration packages of all executive Directors and senior management of the Company. Madam Tung Wai Yee, Mr Cheung Siu Ping, Oscar and Mr Lee Chan Fai, all being independent non-executive Directors of the Company, and Mr Tong Albert, an executive Director of the Company, are now members of the Remuneration Committee whereas Madam Tung Wai Yee acts as the chairman of the Remuneration Committee.

Two Remuneration Committee’s meetings were held during 2006 for approving an offer to grant share options to executive Directors and senior executives of the Company, and reviewing the remuneration policy and packages for all the Directors and senior management of the Company annually.

Audit Committee

An audit committee (the “Audit Committee”) has already been set up by the Board with written terms of reference which have been modified in April 2005 to align with the Code Provision C.3.3 of the Code. The Audit Committee is composed of all the independent non-executive Directors of the Company, Madam Tung Wai Yee, Mr Cheung Siu Ping, Oscar and Mr Lee Chan Fai. The Audit Committee is chaired by Mr Cheung Siu Ping, Oscar who possesses the appropriate professional accounting qualifications as required under the Listing Rules.

Under its terms of reference, the Audit Committee is required to monitor integrity of the financial statements of the Company, to review significant financial reporting judgements, and to oversee internal control and risk management frameworks of the Company, and the relationship with the Company’s auditors.

During the year, the Audit Committee held three meetings for reviewing the interim and annual results as well as the financial reporting matters of the Group, and for assessing internal control and risk management systems of the Group.

薪酬委員會

董事局已於二零零五年六月設立一個具有由書面訂明特定職權範圍的薪酬委員會（「薪酬委員會」）。薪酬委員會的主要工作是向董事局就本公司董事及高級管理人員的薪酬政策和結構提供建議，並訂定本公司所有執行董事和高級管理人員的特定薪酬和福利。本公司所有獨立非執行董事董慧儀女士、張兆平先生和李燦輝先生，以及執行董事湯子同先生現為薪酬委員會成員，而董慧儀女士擔任薪酬委員會主席之職。

在二零零六年內，薪酬委員會共舉行了兩次會議，以批准向本公司執行董事及高級行政人員授予購股權，並年度檢討本公司所有董事及高級管理人員的薪酬政策和福利。

審核委員會

董事局已設立一個審核委員會（「審核委員會」），其由書面訂明之職權範圍已於二零零五年四月作出修訂，以符合該《守則》之守則條文第C.3.3條之規定。審核委員會由本公司所有獨立非執行董事（即董慧儀女士、張兆平先生和李燦輝先生）組成。審核委員會的主席張兆平先生擁有《上市規則》所規定之適當會計專業資格。

根據審核委員會之職權範圍，審核委員會須監控本公司財務報表的完整性，審閱財務申報之重大意見，以及監察本公司之內部監控和風險管理框架，和與本公司核數師的關係。

在年度內，審核委員會共舉行了三次會議，以審閱本集團的中期和年度業績以及財務申報事宜，並評估本集團的內部監控和風險管理制度。

Attendance Records at Meetings of the Board and the Committees

The attendance of the individual Directors at the regular meetings of the Board and the meetings of the Remuneration Committee and Audit Committee held during the year ended 31st December, 2006 is set out below:

董事局及委員會會議之出席記錄

個別董事於截至二零零六年十二月三十一日止年度內舉行之董事局定期會議及薪酬委員會和審核委員會會議之出席率列載如下：

		Number of meetings attended/held 已出席／舉行之會議數目		
		Board 董事局	Remuneration Committee 薪酬委員會	Audit Committee 審核委員會
Executive Directors		執行董事		
Madam Hsu Feng (Chairman of the Board and Managing Director)	徐 楓女士 (董事局主席 及董事總經理)	4/4	N/A不適用	N/A不適用
Mr Tong Albert (Vice-Chairman of the Board)	湯子同先生 (董事局副主席)	4/4	1/2	N/A不適用
Mr Chuang Hsiao-Chen	莊然真先生	4/4	N/A不適用	N/A不適用
Independent Non-Executive Directors		獨立非執行董事		
Madam Tung Wai Yee (Chairman of the Remuneration Committee)	董慧儀女士 (薪酬委員會主席)	4/4	2/2	3/3
Mr Cheung Siu Ping, Oscar (Chairman of the Audit Committee)	張兆平先生 (審核委員會主席)	4/4	2/2	3/3
Mr Lee Chan Fai	李燦輝先生	4/4	2/2	3/3

Appointment and Re-election of Directors

According to the Articles of Association of the Company, new Directors could be elected by the Company or appointed by the Board and any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company. Besides, one-third (or the number nearest thereto) of all the Directors of the Company for the time being shall retire by rotation at the Company's annual general meetings. The retiring Directors shall be eligible for re-election.

The Company did not establish a nomination committee pursuant to recommended best practices of the Code and the Board is responsible for reviewing its own structure, size and composition (including the skills, knowledge and experience of its members), and assessing the independence of the independent non-executive Directors. The Board is also responsible for considering any appointment of its own members and nomination of those members for re-election by the shareholders on the general meeting following their appointments.

Every newly appointed Director will be given a comprehensive orientation package, including latest information of the Group, induction into their responsibilities and duties and other related regulatory requirements.

No new Director was appointed during the year under review while the Board has considered, at a regular Board meeting held in 2006 which was attended by full Board as disclosed above, nomination of a Director appointed by the Board for re-election at the annual general meeting of the Company.

董事之委任和重選

根據本公司之《公司組織章程細則》之規定，新董事可由本公司推選或由董事局委任，而任何由董事局委任之董事之任期將直至本公司下一屆股東週年大會時屆滿。此外，本公司當時所有在任董事中三分之一（或最接近三分之一之數目）之成員須在本公司股東週年大會上輪值告退。退任董事可競選連任。

本公司並無按照該《守則》的建議最佳常規設立提名委員會。董事局負責檢討其本身的成員之結構、人數和組成（包括其成員之技能、知識和經驗方面），以及評估獨立非執行董事的獨立性。董事局亦負責考慮其任何成員的委任事宜，並在彼等獲委任後，考慮於股東大會上向股東提名重選彼等為董事。

每名新委任的董事將獲發一套內容全面的簡介文件，包括本集團的最新資料、其責任和職權的介紹，以及其他相關的規例要求的資料。

於回顧年度內，本公司並沒有委任新董事，而董事局已於二零零六年內舉行之一次董事局定期會議上，考慮於本公司股東週年大會上提名重選一名經董事局委任之董事連任。該董事局會議誠如上文所披露，由董事局全體成員出席。

Code for Securities Transactions by Directors

The Company has adopted its own code of practice regarding securities transactions by the Directors and relevant employees (the “Code of Practice”) on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”).

Having made specific enquiry of all Directors of the Company, each of whom has confirmed compliance with the required standard set out in the Model Code and the Code of Practice throughout the year.

ACCOUNTABILITY AND AUDIT

Internal Controls

The Board is responsible for ensuring that a proper and effective system of internal control is maintained within the Group in order to safeguard the shareholders’ investment and the Group’s assets. The Company has adopted a code on internal control applicable to the Group in terms of financial, operational and compliance controls and risk management functions since 2005. The Audit Committee has been authorized by the Board to review the effectiveness of the system of internal control of the Group at least once a year and a meeting was held in 2006 for that purpose with reference to the Group’s code on internal control.

The Board, through the review of the Audit Committee, is satisfied that the Group has complied with all the provisions on internal control throughout the year ended 31st December, 2006 and considers that the Group’s internal control system has implemented effectively. The code on internal control is reviewed and modified regularly pursuant to operational requirements of the Group.

董事進行證券交易的守則

本公司已就董事及有關僱員進行證券交易採納其本身的守則（「該交易守則」），而該交易守則之條文並不遜於《上市規則》附錄十所載之《上市發行人董事進行證券交易的標準守則》（「《標準守則》」）所規定之標準。

本公司已向所有董事作出特定查詢，各董事均已確認於年度內彼等一直遵守載於《標準守則》及該交易守則內所規定之標準。

問責及審核

內部監控

董事局負責確保本集團維持一個恰當及有效性之內部監控制度，藉以保障股東之投資及本集團之資產。本公司自二零零五年起已採納了一套在財務、營運、合規監控和風險管理方面適用於本集團的《內部監控守則》。審核委員會已獲董事局授權最少每年一次檢討本集團內部監控制度的有效性，並就此參照本集團之《內部監控守則》於二零零六年內舉行了一次會議。

經審核委員會檢討後，董事局確信本集團於截至二零零六年十二月三十一日止整個年度內已符合所有《內部監控守則》條文之規定，並認為本集團的《內部監控守則》制度已有效地實施。《內部監控守則》按本集團的業務運作需要作定期檢討和修訂。

Directors' and Auditors' Responsibilities for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group as at the period end and of the results and cash flows of the Group for that period. In preparing the financial statements for the year ended 31st December, 2006, the Directors have selected suitable accounting policies and applied them consistently; have made judgements and estimates that were prudent and reasonable; and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

The responsibilities of the Auditors to the shareholders are to form an independent opinion, based on the audit, on those financial statements and their opinion on the consolidated financial statements of the Group for the year ended 31st December, 2006 is set out in the report of independent Auditors on pages 44 to 46.

Auditors' Remuneration

The fees in respect of audit and non-audit services provided to the Group by the Auditors for the year ended 31st December, 2006 amounted to approximately HK\$2,660,000 and HK\$14,500 respectively. The non-audit services provided during the year were taxation services.

CORPORATE CITIZENSHIP

The Group pledges itself to contribution to the well-being of the societies and constantly makes donations to various worldwide or local charitable organizations for, inter alia, medical assistance, children sponsorship and education purposes.

The Group has arranged for a donation of a total amount of HK\$2.5 million to The Chinese University of Hong Kong to establish non-local scholarships, namely "Tomson Group Scholarships", for students from the mainland China.

董事和核數師對財務報表的責任

本公司董事負責編製每個財務期間的財務報表，而該等財務報表須公平與真實地反映本集團期末的財務狀況和該期間的本集團業績和現金流量。在編製截至二零零六年十二月三十一日止年度的財務報表時，董事已貫徹選擇及採用合適的會計政策；已作出審慎和合理的判斷和估算；並已按照持續經營的基準編製財務報表。董事負責妥善保存會計記錄，以合理準確地披露本集團於任何時間的財務狀況。

核數師對股東的責任是根據審核工作的結果，對該等財務報表發表獨立的意見，而彼等對本集團截至二零零六年十二月三十一日止年度綜合財務報表的意見載於第44至第46頁的獨立核數師報告書中。

核數師的酬金

於截至二零零六年十二月三十一日止年度，就核數師向本集團提供之審核和非審核服務需支付之費用分別約為2,660,000港元和14,500港元。於年度內提供之非審核服務乃稅務服務。

企業公民責任

本集團致力為社會福利作出貢獻，並經常地向全球各地及本地慈善機構作出捐款，其中包括用於提供醫療援助、助養兒童和教育用途等。

本集團已安排向香港中文大學作出一項合共2,500,000港元的捐款，為中國國內學生設立非本地生獎學金，名為《湯臣集團獎學金》。

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The Company has also re-enrolled the “Heart to Heart Project” organized by The Hong Kong Federation of Youth Groups in 2006, to sponsor service projects proposed by volunteer groups of those schools enrolled under the project so as to engage youth volunteers to serve the community for contribution to social development.

In addition, the Company has made a donation to ORBIS to provide the much needed treatment and eye surgery skills to blind people worldwide.

本公司於二零零六年亦再次參加了由香港青年協會舉辦的《有心計劃》，以資助參加了該計劃的學校義工隊建議的服務項目，讓青年義工服務社會，為社會發展作出貢獻。

此外，本公司向奧比斯作出捐款，以向全球各地之失明人士提供需要之護理及眼科手術技術援助。

