

CORPORATE GOVERNANCE REPORT 企業管治報告

The board of directors (“Board”) of the Company is pleased to present this Corporate Governance Report in the Group’s annual report for the year ended 31st December, 2006.

The manner in which the principles and code provisions in the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 14 of the Listing Rules are applied and implemented is explained in the following parts of this Corporate Governance Report:

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

Good corporate governance has always been recognised as vital to the Group’s success and to sustaining development of the Group. We are committed to a high standard of corporate governance as an essential component of quality and have introduced corporate governance practices appropriate to the conduct and growth of our business.

The Company has applied the principles as set out in the CG Code contained in Appendix 14 of the Listing Rules.

Throughout the year under review ended 31st December, 2006, the Company has complied with the code provisions as set out in the CG Code, save for certain deviations from Code Provisions A.2.1, A.4.2 and B.1.3 which are explained in the relevant paragraphs in this Report.

The Company regularly reviews its corporate governance practices to ensure compliance with the CG Code.

本公司董事會（「董事會」）欣然提交載於本集團截至二零零六年十二月三十一日止年度報告之企業管治報告。

本企業管治報告以下各部份說明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」）之原則及守則條文之應用及實行：

本公司之企業管治常規

本集團一向承諾恪守奉行高水平之企業管治，以保障全體股東權益及提升企業價值和問責性。

良好之企業管治一貫被視作為本集團成功及持續發展之關鍵。董事會將高標準之企業管治當作為企業質素之基本組成部分並採納適合於其業務經營及增長之企業管治常規。

本公司已應用上市規則附錄十四所載之企業管治守則所規定之原則。

於截至二零零六年十二月三十一日止之回顧年度內，本公司已遵守企業管治守則內所載之守則條文，惟守則條文A.2.1、A.4.2及B.1.3有所偏離除外，該等偏離情況之說明載於本報告各有關部份。

本公司定期檢討其企業管治常規，確保符合企業管治守則之規定。

CORPORATE GOVERNANCE REPORT 企業管治報告

THE BOARD/BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the senior management the authority and responsibilities for the day-to-day management and operations of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

The Board provides leadership, approves policies, strategies and plans, and oversees their implementation to further the healthy growth of the Company, in the interests of shareholders.

Every director shall ensure that he carries out his duty in good faith and in compliance with the standards of applicable laws and regulations, and has acted in the interests of the Company and its shareholders at all times.

Board Composition

The Board currently comprises 8 members, consisting of 5 executive directors and 3 independent non-executive directors.

The Company has met the recommended best practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive directors.

董事會

責任

董事會負責領導及統管本公司並監察本集團業務、策略性決定及表現。董事會向高級管理人員轉授本集團日常管理及經營之權力及責任。此外，董事會轄下亦已設立委員會，並向該等委員會轉授其各自職權範圍載列之各項責任。

董事會負責領導、批准政策、策略及計劃，並監控其實行情況，確保本公司在符合股東利益之情況下進一步健康發展。

每位董事均須確保其本著真誠履行職責，符合適用法律及規例的標準，並時刻為本公司及其股東之利益行事。

董事會組成

董事會目前由八位成員組成，包括五位執行董事及三位獨立非執行董事。

本公司已奉行企業管治守則建議之最佳常規，董事會成員之中至少三分之一為獨立非執行董事。

THE BOARD/BOARD OF DIRECTORS (Continued)

Board Composition (Continued)

The Board of the Company comprises the following directors:

Executive Directors:

Hui Sum Kwok – Chairman
Hui Sum Ping – Vice Chairman
Hui Sum Tai – Chief Executive Officer
Wong Wing Por
Hui Yuen Li – Company Secretary and Member of Remuneration Committee

Independent Non-Executive Directors:

Liu Kwok Fai, Alvan – Chairman of Audit Committee
Chee Man Sang, Eric – Member of Audit Committee and Chairman of Remuneration Committee
Wong Chu Leung – Member of Audit Committee and Remuneration Committee

The list of directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The relationships among the members of the Board are disclosed under Management Profile on pages 12 and 13.

During the year ended 31st December, 2006, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

董事會(續)

董事會組成(續)

本公司董事會由以下董事組成：

執行董事：

許森國 – 主席
許森平 – 副主席
許森泰 – 行政總裁
王榮波
許婉莉 – 公司秘書兼薪酬委員會成員

獨立非執行董事：

廖國輝 – 審核委員會主席
池民生 – 審核委員會成員兼薪酬委員會主席
黃珠亮 – 審核委員會及薪酬委員會成員

董事名單(分類)亦根據上市規則於本公司不時公佈之所有公司通函中予以披露。本公司亦根據上市規則於所有通函中列明各獨立非執行董事。

董事會成員之間之關係已於第12及13頁管理層履歷披露。

於截至二零零六年十二月三十一日止年度，董事會一直遵守上市規則有關委任最少三名獨立非執行董事，其中最少一名獨立非執行董事擁有適當專業資格，或會計或相關財務管理專長之規定。

CORPORATE GOVERNANCE REPORT 企業管治報告

THE BOARD/BOARD OF DIRECTORS *(Continued)*

Board Composition *(Continued)*

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The non-executive directors bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflicts of interest and serving on Board committees, all non-executive directors have made various contributions to the effective direction of the Company.

All directors have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Hui Sum Kwok, and the Chief Executive Officer is Mr. Hui Sum Tai. The positions of the Chairman and Chief Executive Officer are held by separate persons in order to preserve independence and a balanced judgement of views. The Chairman provides leadership for the Board and is responsible for chairing meetings, the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Officer focuses on running of the Company's businesses, implementing objectives, policies and strategies approved and delegated by the Board and the Company's day-to-day management and operations.

董事會 (續)

董事會組成 (續)

本公司已收到每位獨立非執行董事根據上市規則須保持獨立性之年度書面確認函。本公司認為，根據上市規則載列之獨立性指引，所有獨立非執行董事均為獨立。

非執行董事以廣泛之商業及財務專長、經驗及獨立判斷為董事會作出貢獻。所有非執行董事透過積極參加董事會會議，於涉及潛在利益衝突之管理問題上發揮領導作用並服務於董事會轄下之委員會，為有效管治本公司作出各種貢獻。

所有董事均為董事會帶來各種不同的寶貴營商經驗、知識及專業，使其有效率及有效地運作。

主席及行政總裁

董事會主席為許森國先生，而行政總裁為許森泰先生。主席及行政總裁之職位分別由不同人士擔任，以便保持獨立性及作出判斷時有平衡意見。主席根據良好企業管治慣例發揮領導董事會之作用，主持董事會議，並確保董事會之有效運作。行政總裁主要負責管理本公司之業務，執行董事會已批准及轉授之目標、政策及策略，並負責本公司日常管理及營運之行政工作。

THE BOARD/BOARD OF DIRECTORS (Continued)

Chairman and Chief Executive Officer (Continued)

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure balance of powers and effective segregation of duties. The Board of Directors considers that the responsibilities of the Chairman and Chief Executive Officer respectively are clear and distinctive and no written terms on division of responsibilities between Chairman and the Chief Executive Officer are necessary. This deviates from the Code Provision A.2.1 of the CG Code which stipulates that the division of responsibilities between chairman and chief executive officer should be established and set out in writing.

Appointment, Re-Election and Removal of Directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

In accordance with the Company's Articles of Association, all directors of the Company are subject to retirement by rotation at least once every three years.

Each of the independent non-executive directors of the Company is appointed for a specific term and shall be subject to retirement by rotation once every three years.

Code Provision A.4.2 stipulates that all directors appointed to fill casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. The Company's Articles of Association deviate from Code Provision A.4.2 of the CG Code which provides that any new director appointed by the Board during the year shall hold office until the next following annual general meeting after appointment, and he/she shall be eligible for re-election.

董事會 (續)

主席及行政總裁 (續)

本公司全力支持董事局主席及行政總裁職權之劃分，以確保權力及授權之平衡。董事會認為，主席與行政總裁各自之職責均有清楚及明確界定，故毋須以書面劃分兩者之職權範圍。此舉偏離企業管治守則之守則條文A.2.1條，該條文規定清楚地制定主席與行政總裁之職責範圍，並以書面列出。

董事之委任，重選及免任

董事委任、重選及免任之程序及過程已於本公司組織章程細則內作出規定。董事會作為一個整體負責審議董事會組成、制定並編製董事提名及委任之相關程序、監察董事之委任及接任計劃，並評核獨立非執行董事之獨立性。

按照本公司組織章程細則之規定，本公司所有董事須每三年輪席退任一次。

本公司每位非執行董事之委任均有特定任期，並須每三年輪席退任一次。

守則條文A.4.2條規定所有獲委任填補臨時空缺之董事須於其獲委任後下次股東週年大會上接受股東選舉。本公司組織章程細則偏離企業管治守則之守則條文A.4.2條之規定，即年內獲董事會委任之任何新董事須任職至其獲委任後舉行之股東週年大會時為止，且彼有資格接受重選。

CORPORATE GOVERNANCE REPORT 企業管治報告

THE BOARD/BOARD OF DIRECTORS *(Continued)*

Appointment, Re-Election and Removal of Directors (Continued)

The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process where necessary.

Pursuant to the Company's Articles of Association, Mr. Hui Sum Tai, Ms. Hui Yuen Li and Mr. Wong Chu Leung shall retire by rotation and being eligible, offer themselves for re-election at the next forthcoming annual general meeting.

The Board recommended the re-appointment of the directors standing for re-election at the next forthcoming annual general meeting of the Company.

The Company's circular dated 30th April, 2007 contains detailed information of the directors standing for re-election.

董事會 (續)

董事之委任，重選及免任 (續)

董事會定期檢討其本身架構、規模及組成，以確保適合於本公司業務需要之專長、技能及經驗之平衡。

倘若董事會出現空缺，董事會經考慮候選人之技能、經驗、專業知識、個人品格及可付出時間、本公司之需要及其他相關法例要求及規定後進行甄選。有需要時可透過外部招聘代理機構進行招聘及甄選程序。

根據本公司組織章程細則之規定，許森泰先生、許婉莉女士及黃珠亮先生須於下屆股東週年大會上輪席退任並有資格接受重選。

董事會建議再次被委任之董事須於下屆股東週年大會上接受重選。

本公司於二零零七年四月三十日發出之通函已載列接受重選之董事之詳細資料。

THE BOARD/BOARD OF DIRECTORS (Continued)

Training for Directors

Each newly appointed director receives formal, tailored and comprehensive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The directors are continually updated with developments in the legal and regulatory regime and the business and market environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged whenever necessary.

Board Meetings

- **Board Practices and Conduct of Meetings**

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

董事會 (續)

董事之培訓

新獲委任之董事均於其首次獲委任時接受正式及因應個別董事而設計之全面入職培訓，以確保彼適當瞭解本公司業務及經營及充分明白上市規則規定其須承擔之責任及義務及相關監管規定。

董事會持續獲提供有關法律及監管發展以及業務及市場改變之最新資料，以協助彼等履行職責。本公司將於有需要時向董事持續提供資訊及專業發展。

董事會會議

- **董事會常規及會議之進行**

全年會議時間表及每次會議草擬議程一般會事先向董事提供。

舉行會議前至少14日向所有董事送呈董事會定期會議通知。至於其他董事會及委員會會議，在一般情況下亦給予合理通知。

每次董事會會議或委員會會議前至少3日向所有董事寄發董事會文件連同所有適當、完整及可靠資料，以便董事瞭解本公司最新發展及財政狀況及使董事在知情情況下作出決定。於需要時，董事會及每位董事亦可單獨及獨立地聯絡高級管理層。

CORPORATE GOVERNANCE REPORT 企業管治報告

THE BOARD/BOARD OF DIRECTORS (Continued)

Board Meetings (Continued)

- **Board Practices and Conduct of Meetings (Continued)**

The Chief Executive Officer, Qualified Accountant and Company Secretary attend all regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Articles of Association also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

董事會(續)

董事會會議(續)

- **董事會常規及會議之進行(續)**

行政總裁、合資格會計師及公司秘書出席所有定期董事會會議，且於需要時出席其他董事會及委員會會議，就本公司業務發展、財務及會計事項、遵守法規事宜、企業管治及其他重大事項提供意見。

公司秘書負責所有董事會會議及委員會會議記錄並保存有關記錄。每次會議後通常於合理時間內交由董事傳閱記錄草稿並發表意見，其定稿可供董事查閱。

根據目前董事會之慣例，涉及主要股東或董事利益衝突之任何重大交易將由董事會於正式召開之董事會會議上審議及處理。本公司組織章程細則亦載有有關規定，要求有關董事於批准彼等或其任何聯繫人士擁有重大利益之交易時放棄投票並不計入會議法定人數。

THE BOARD/BOARD OF DIRECTORS (Continued)

Board Meetings (Continued)

• **Directors' Attendance Records**

During the year ended 31st December, 2006, five regular Board meetings were held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The attendance rate was 100%.

The attendance records of each director at the meetings of the Board, Remuneration Committee and Audit Committee during the year ended 31st December, 2006 are set out below:

董事會 (續)

董事會會議 (續)

• **董事出席記錄**

於截至二零零六年十二月三十一日止年度，董事會已舉行五次定期會議，大約每季度一次，以檢討及批准財務及經營業績並審議及批准本公司整體策略及政策。董事之出席率為100%。

截至二零零六年十二月三十一日止年度董事會、薪酬委員會及審核委員會會議每位董事之出席記錄載列如下：

Attendance/Number of Meetings
會議出席率及次數

Name of Directors 董事姓名		Board 董事會	Remuneration Committee 薪酬委員會	Audit Committee 審核委員會
Hui Sum Kwok	許森國	5	N/A 不適用	2
Hui Sum Ping	許森平	5	N/A 不適用	2
Hui Sum Tai	許森泰	5	N/A 不適用	2
Wong Wing Por	王榮波	5	N/A 不適用	2
Hui Yuen Li	許婉莉	5	1	2
Liu Kwok Fai, Alvan	廖國輝	5	N/A 不適用	2
Chee Man Sang, Eric	池民生	5	1	2
Wong Chu Leung	黃珠亮	5	1	2

CORPORATE GOVERNANCE REPORT 企業管治報告

THE BOARD/BOARD OF DIRECTORS (Continued)

Model Code For Securities Transactions

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (its "Own Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with its Own Code throughout the year ended 31st December, 2006.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

DELEGATION OF MANAGEMENT FUNCTIONS

The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflicts of interest), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

董事會 (續)

證券交易標準守則

本公司已採納有關董事進行本公司證券交易之守則(「本公司守則」)，其條款嚴謹程度不低於上市規則附錄十載列之上市發行人董事進行證券交易標準守則(「標準守則」)之規定。

已向所有董事作出具體查詢並獲其確認，彼等已於截至二零零六年十二月三十一日止年度遵守本公司守則。

本公司亦就可能獲得本公司未經公布股價敏感資料之僱員進行證券交易訂立其條款嚴謹程度不低於標準守則之書面指引(「僱員書面指引」)。

就本公司所知，並無僱員未遵守僱員書面指引之事件。

轉授管理職能

董事會保留為本公司所有重大事項作出決策之權力，包括批准及監察所有政策事項、整體策略及預算、內部監控及風險管理制度、重大交易(尤其是可能涉及利益衝突之交易)、財務事項、董事之委任以及其他重大財務及經營事項。

所有董事均可充分和準時獲取所有相關資料及公司秘書之建議及服務，以確保遵守董事會處事程序及所有適用之規則及規例。每位董事一般可於適當情況下向董事會提出尋求獨立專業人士意見並由本公司支付開支之要求。

DELEGATION OF MANAGEMENT FUNCTIONS (Continued)

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The Board has established two committees namely the Remuneration Committee and Audit Committee for overseeing particular aspects of the Company's affairs. The Board has the full support of the Chief Executive Officer and the senior management to discharge its responsibilities.

REMUNERATION OF DIRECTORS

The Company has established a formal and transparent procedure for formulating policies on remuneration of the Group. Details of the remuneration of each of the directors of the Company for the year ended 31st December, 2006 are set out on page 80 in note 11 to the financial statements.

Remuneration Committee

The Remuneration Committee comprises 3 members, namely Mr. Chee Man Sang, Eric (Chairman), Ms. Hui Yuen Li and Mr. Wong Chu Leung, and the majority of them are independent non-executive directors.

The primary functions of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive directors. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

轉授管理職能 (續)

本公司之日常管理、行政管理及營運均轉授予行政總裁及高級管理層。董事會定期檢討有關職能及工作任務。上述高級職員進行任何重大交易前須獲取董事會之批准。

董事會已設立兩個委員會，即薪酬委員會及審核委員會，以監察本公司特定事務。董事會在履行其責任時，獲得行政總裁及高級管理層之全力支持。

董事酬金

本公司已就制定本集團薪酬之政策而設立正式及具透明度之程序。有關本公司各董事於截至二零零六年十二月三十一日止年度之薪酬詳情，載於第80頁財務報告附註11。

薪酬委員會

薪酬委員會包括三名成員，即池民生先生(主席)、許婉莉女士及黃珠亮先生，彼等大部分均為獨立非執行董事。

薪酬委員會之主要目標包括就本公司之薪酬政策、架構及執行董事之薪酬提出建議並批准。薪酬委員會亦負責建立制定該等薪酬政策及架構之透明程序，以確保董事或其任何聯繫人士不會參加根據個人及本公司表現以及市場慣例及條件而釐定其本身薪酬之決定。

REMUNERATION OF DIRECTORS *(Continued)*

Remuneration Committee *(Continued)*

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the Chairman and/or the Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee met once during the year ended 31st December, 2006 and reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive directors for the year under review and the attendance rate of the Remuneration Committee Meeting was 100%.

Under the written terms of reference of the Remuneration Committee of the Company, the remuneration of the senior management of the Company is not considered by the Remuneration Committee and this deviates from the Code Provision B.1.3 of the CG Code. Currently, the remuneration of the senior management is attended by the Chairman and/or Chief Executive Officer of the Company.

董事酬金 *(續)*

薪酬委員會 *(續)*

人力資源部負責收集及管理人力資源資料並向薪酬委員會提出建議，以供其審議。薪酬委員會亦就有關薪酬政策及架構及薪酬之建議徵求本公司主席及／或行政總裁意見。

薪酬委員會於截至二零零六年十二月三十一日止年度舉行一次會議，審議回顧年度本公司薪酬政策及架構以及執行董事之薪酬，薪酬委員會會議之出席率為100%。

根據本公司薪酬委員會之書面職權範圍，薪酬委員會不會審議本公司高級管理層之薪酬，而此舉偏離企業管治守則之守則條文B.1.3條之規定。目前，高級管理層薪酬由主席及／或行政總裁負責釐定。

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities in Respect of the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31st December, 2006.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory requirements and applicable accounting standards are complied with.

The Management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company put to the Board for approval. The Board has received from the senior management the management accounts, and such explanation and relevant information as necessary to enable the Board to make an informed assessment for approving the financial statements.

Internal Controls

The Board has conducted a review of the effectiveness of the internal control system of the Group for the year ended 31st December, 2006. The review has covered the financial, operational, compliance and risk management aspects of the Group.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets, and with the support of Audit Committee reviewing the effectiveness of such on an annual basis.

問責及審核

董事有關財務報表之責任

董事確認其編製截至二零零六年十二月三十一日止年度本公司財務報表之責任。

董事會負責對上市規則及其他監管規定下所規定之年報及中期報告、股價敏感公告及其他披露資料作出平衡、清晰及易於理解之評估。董事負責監察本公司財務報表之編製，確保財務報表公平真實反映本集團之事務狀況，以及該等財務報表符合法定規定及適用之會計準則。

管理層向董事會提供所需解釋及資料，讓董事會可就提交給董事會批准的本公司財務資料及狀況，作出知情評審。董事會已收到高級管理層提供管理賬目、所需之解釋及有關資料，以便就批准財務報表作出知情評審。

內部監控

於截至二零零六年十二月三十一日止年度，董事會已檢討本集團內部監控制度之效能。該檢討涵蓋本集團之財務、營運及風險管理。

董事會負責維持足夠之內部監控制度，以保障股東之投資及本公司之資產，並在審核委員會支援下每年檢討該制度之效能。

ACCOUNTABILITY AND AUDIT (Continued)

Internal Controls (Continued)

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks.

Audit Committee

The Audit Committee comprises three independent non-executive directors, namely Mr. Liu Kwok Fai, Alvan (Chairman), Mr. Chee Man Sang, Eric and Mr. Wong Chu Leung (including one independent non-executive director with the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer (if any), internal auditor or external auditors before submission to the Board.
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

問責及審核 (續)

內部監控 (續)

本集團之內部監控制度之設計乃為協助有效及有效率之運作，確保財務報告之可靠度及遵守適用法律及規例，識別及管理潛在風險，以及保障本集團之資產。內部核數師須定期檢討及評估監控程序，並監察任何風險因素，以及就任何調查結果，應付變動及已識別風險之措施向審核委員會報告。

審核委員會

審核委員會由三名獨立非執行董事組成(包括一名擁有適當專業資格或會計或相關財務管理技巧之獨立非執行董事)，即廖國輝先生(主席)、池民生先生及黃珠亮先生。概無審核委員會成員曾為本公司現有外聘核數師之前任合夥人。

審核委員會之主要職責包括以下各項：

- 向董事會提交由合資格會計師、監察主任(如有)、內部核數師或外聘核數師提交之財務報表及報告前，審閱該等財務報表及報告以及審議彼等所提出任何重大或不尋常事項。
- 根據外聘核數師之工作檢討與外聘核數師之關係、其費用及聘用條款並就外聘核數師之委任、重新委任及免職向董事會提出建議。
- 檢討本公司財務申報制度、內部監控制度、風險管理制度及相關之程序是否充分及有效。

ACCOUNTABILITY AND AUDIT (Continued)

Audit Committee (Continued)

The Audit Committee provides supervision on internal control system of the Group and reported to the Board on any material issues and make recommendation to the Board.

The Audit Committee held two meetings during the year ended 31st December, 2006 to review the financial results and reports, financial reporting and compliance procedures, the report of the internal auditor on the Company's internal control and risk management review and processes, and the re-appointment of the external auditors and the attendance rate of these Audit Committee Meetings was 100%.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The Audit Committee has not taken a different view from the Board regarding the selection, appointment, resignation or dismissal of external auditors.

The Company's annual results for the year ended 31st December, 2006 have been reviewed by the Audit Committee.

External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 52 and 53.

The remuneration payable to the Company's external auditors Deloitte Touche Tohmatsu in respect of audit and non-audit services for the year ended 31st December, 2006 amounted to HK\$1,000,000 and HK\$15,000 respectively.

問責及審核 (續)

審核委員會 (續)

審核委員會監督本集團之內部監控制度，就任何重大課題向董事會報告，並向董事會提供建議。

審核委員會於截至二零零六年十二月三十一日止年度舉行兩次會議，審議財務業績及報告、財務申報及合規程序、內部核數師有關本公司內部監控及風險管理之審核及程序之報告以及重新委任外聘核數師事宜，審核委員會會議之出席率為100%。

本公司概無涉及可能對本公司持續經營能力產生重大疑問之事項或條件之重大不明朗因素。

就外聘核數師之挑選、委任、辭任或解聘而言，審核委員會與董事會並無意見分歧。

審核委員會已檢討本公司截至二零零六年十二月三十一日止年度業績。

外聘核數師及核數師之酬金

本公司外聘核數師有關其申報財務報表之責任之聲明載於第52及第53頁「獨立核數師報告」內。

截至二零零六年十二月三十一日止年度，本公司就核數及非核數服務而應付予外聘核數師德勤•關黃陳方會計師行之酬金分別為1,000,000港元及15,000港元。

CORPORATE GOVERNANCE REPORT 企業管治報告

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Remuneration Committee and Audit Committee and, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at shareholder meetings.

To promote effective communication, the Company maintains a website at www.hopfunggroup.com, where extensive up-to-date information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted available for public access.

SHAREHOLDER RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles of Association. Details of rights to demand a poll are included in all circulars to shareholders and explained in the proceedings of meetings.

Poll results will be published in newspapers and posted on the website of the Stock Exchange on the business day following the shareholders' meeting at which voting is taken on a poll.

與股東溝通及投資者關係

本公司深信，與股東保持有效溝通，對促進投資者關係及加深投資者對本集團業務表現及策略了解至為重要。本公司亦明白保持透明度和及時披露公司資料的重要性，因其有利於股東及投資者作出最佳投資決策。

本公司之股東大會為董事會與股東提供溝通之場合。董事會主席以及薪酬委員會及審核委員會之主席（或（如彼等缺席）各委員會之其他成員及（如適用）獨立董事委員會之主席）會於股東大會上解答問題。

為促進有效之溝通，本公司亦設有網站(www.hopfunggroup.com)，刊登有關其業務發展及營運之豐富及最新資料、財務資料、企業管治常規及其他資料，以供公眾人士閱覽。

股東之權利

為保障股東之利益及權利，本公司會於股東大會上就各項重大問題（包括選舉個別董事）提呈獨立決議案。

本公司組織章程細則已載列股東於股東大會上要求以投票方式表決決議案之權利及程序。要求以投票方式表決之該等權利之詳情會納入交予股東之所有通函，並將於大會進行時加以解釋。

以投票方式表決之投票結果將於股東大會舉行後之下一個營業日在報章發表，並於聯交所之網站上刊登。