

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

### CORPORATE GOVERNANCE PRACTICE

The Group commits to maintaining and ensuring a high level of corporate governance standards and continuously reviews and improves our corporate governance and internal controls practices. Set out below are the principles of corporate governance as adopted by the Company during the reporting year.

### DISTINCTIVE ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER (“CEO”)

The Chairman of the Board is responsible for leading the Board of Directors in establishing and monitoring the implementation of strategies and plans to create values for shareholders.

The CEO is responsible for managing the operation of the Group's businesses, proposing strategies to the Board and the effective implementation of the strategies and policies adopted by the Board.

### THE BOARD

As of 31 December 2005, there were ten members on the Board, which are the Chairman, the CEO, three other Executive Directors, two Non-Executive Directors (“NED”) and three Independent Non-Executive Directors (“INEDs”).

The INEDs are considered by the Board to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgments. The Board considered that each of the INEDs brings his /her own relevant expertise to the Board and its deliberations.

None of the INEDs has any business or financial interests with the Group nor has any relationship with other directors and confirmed their independences to the Group.

The Board met regularly during the year and on ad hoc basis as required by business needs. The Board's primary purpose is to set and review the overall strategic development of the Group and to oversee the achievement of the plans to enhance shareholders' value. Daily operational decisions are delegated to the Executive Directors. The Board met four times during the year and the Directors' attendance is shown in the table on page 37. The NED and INEDs may take independent professional advice at the Company's expense in carrying out their functions.

### 企業管治常規

本集團一直致力確保企業管治標準維持於高水平，並持續檢討及改善企業管治及內部監控常規。以下為本公司於報告年度內採納的企業管治原則。

### 主席及行政總裁的分工

董事會主席負責領導董事會制訂及監控業務策略與計劃的推行，務求為股東締造更高的企業價值。

行政總裁負責管理集團業務運作、向董事會提呈策略方針，以及落實推行獲董事會採納的策略及政策。

### 董事會

於二零零五年十二月三十一日，董事會由十位成員組成，分別為主席，行政總裁、其他三位執行董事、兩位非執行董事（「非執行董事」）及三位獨立非執行董事（「獨立非執行董事」）。

董事會認為，各獨立非執行董事均為與管理層並無關係的獨立人士，其獨立判斷不會受到影響。此外，董事會認為，各獨立非執行董事均為董事會事務及其決策貢獻本身的相關經驗。

獨立非執行董事並無涉及本集團的任何業務及財務利益，且與其他董事亦並無任何關係，並已向本集團確認彼等為獨立人士。

年內，本集團定期及按業務所需不時舉行會議。董事會的主要功能為制訂及檢討本集團的整體策略發展，以及監督業務計劃成效以提升股東價值。日常營運決策乃授予執行董事。年內，董事會舉行了四次會議，而董事的出席記錄見第37頁所載表內。非執行董事及獨立非執行董事在執行彼等的職務時，可諮詢獨立專業人士的意見，費用概由本公司承擔。

The Company appointed each of the Non-Executive directors during the Annual General Meeting or by the Board for new appointment during the year. The term of each of these appointments shall be expired up to the forthcoming Annual General Meeting and can offer for re-election in the Annual General Meeting.

### AUDIT COMMITTEE

The Group has established an Audit Committee with written terms of reference as suggested under the Code of Best Practice set out in Appendix 14 of the Listing Rules and adopted with reference to “A Guide for Effective Audit Committees” published by the Hong Kong Institute of Certified Public Accountants. The Audit Committee comprises Mr LAM, Tuan, a non-executive director and Mr CHAO, Pei-Hong, Ms. CHUANG, Shu-Fen and Mr KO, Jim-Chen, all independent non-executive directors. The chairman of the Audit Committee is Mr Chao, Pei-Hong. Each member brings to the Committee his valuable experience in reviewing financial statements and evaluating significant control and financial issues of the Group who among themselves possess a wealth of management experience in the accounting profession, commercial and legal sectors. During the year, the Audit Committee met 2 times.

The main duties of the Audit Committee are as follows:—

- (i) to review the half-year and annual financial statements before they are submitted to the Board for approval;
- (ii) to make recommendations to the Board on, the appointment, reappointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of that auditors;
- (iii) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (iv) to review the Company's financial controls, internal controls and risk management systems;
- (v) to review the Group's financial and accounting policies and practice;
- (vi) to review and monitor the effectiveness of the internal audit function; and
- (vii) to review the terms and conditions of connected transactions of the Group.

The Audit Committee reviewed the financial statements of the Group for the year ended 31 December 2005 prior to recommending term to the Board for approval.

非執行董事乃由本公司於股東週年大會上委任，或經由董事會於年內另行委任。該等委任各自的任期於即將舉行的股東週年大會屆滿，並可於股東週年大會上膺選連任。

### 審核委員會

本公司已按照當時上市規則附錄14所載的最佳應用守則及香港會計師公會刊發的「審核委員會有效運作指引」成立審核委員會並以書面釐定其職權。審核委員會成員包括非執行董事林俊先生及獨立非執行董事趙培宏先生、莊淑芬女士及柯俊禎先生。審核委員會的主席為趙培宏先生。每位成員貢獻其寶貴的經驗，審核財務報表及評估本集團重大控制及財務事宜。彼等均於會計專業、商界和法律界擁有豐富的管理經驗。年內，審核委員會舉行兩次會議。

審核委員會的主要職責如下：

- (i) 在半年及年度財務報表提呈董事會批准前審閱有關報表；
- (ii) 就委任、重新委任及撤換核數師向董事會提出建議，批准核數師的酬金及委聘條款，以及處理任何有關該核數師辭任或解聘的問題；
- (iii) 按照適用準則，檢討及監察核數師的獨立及客觀性，以及核數程序的效用；
- (iv) 檢討本公司的財務監控、內部監控及風險控制系統；
- (v) 檢討本集團的財務及會計政策與慣例；
- (vi) 檢討及監察內部審核職能的效用；及
- (vii) 審閱本集團關連交易的條款及條件。

審核委員會在提交本集團截至二零零五年十二月三十一日止年度的財務報表予董事會批准前，已審閱有關報表。

## REMUNERATION COMMITTEE

The Company established a remuneration committee, in January 2006. Its terms of reference are summarized as follows:

- i) To make recommendations with respect to the remuneration of the Executive Directors and the senior management of the Company for approval by the Board;
- ii) To review the remuneration package and recommend salaries, bonuses, including the incentive awards for Directors and the senior management; and
- iii) To administer and make determinations with regard to the Company's share option scheme.

The remuneration committee annually sets out its recommendation on the remuneration package of the Executive Directors. For the financial year ended 31 December 2005, the remuneration committee has reviewed and recommended to the Board the salaries and bonuses of the Executive Directors and the senior management.

In order to attract, retain, and motivate executives and key employees serving for the Group, the Company has adopted a share option scheme in 2003. Such incentive schemes enable the eligible persons to obtain an ownership interest in the Company and thus to reward the participants who contribute to the success of the Group's operations.

Details of the amount of Directors emoluments are set out in note 28 to the accounts and details of the 2003 Share Option Scheme are set out in the Report of Director and note 28 to the accounts.

## NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of an individual to act as a Director, and approving and terminating the appointment of a Director. The Company has not established a Nomination Committee. The Company currently does not have any plans to set up a Nomination Committee considering the small size of the Board.

The Chairman is responsible for identifying suitable candidates for member of the Board when there is a vacancy or an additional director is considered necessary. The Chairman proposes the appointment of such candidates to each member of the Board for consideration. Each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his or her qualifications, experiences and background.

## 薪酬委員會

本公司於二零零六年一月設立薪酬委員會，其職權範圍概述如下：

- i) 就本公司執行董事及高級管理人員之薪酬提供推薦意見，以尋求董事會批准；
- ii) 審議董事及高級管理人員之薪酬組合，並就薪資、花紅包括獎勵提出建議；及
- iii) 管理及釐定本公司之購股權計劃。

薪酬委員會每年提呈其對執行董事薪酬組合之建議。於截至二零零五年十二月三十一日止財政年度，薪酬委員會已審議執行董事及高級管理層之薪酬及花紅，並向董事會提出建議。

為招攬、挽留及激勵在本集團供職之行政人員及主要僱員，本公司於二零零三年採納購股權計劃。該等激勵計劃使合資格人員可獲得本公司之所有權益，從而對為本集團業務成功作出貢獻之參與者提供獎勵。

董事酬金款額之詳情載於賬目附註28，而二零零三年購股權計劃之詳情載於董事會報告及賬目附註28。

## 董事提名

董事會負責考慮個別人士是否勝任董事一職，並負責批核及終止董事委任。本公司並無成立提名委員會。鑒於董事會成員人數不多，本公司目前並無計劃成立提名委員會。

董事會主席負責物色合適人選出任董事，以填補空缺或在有需要時新增董事名額。主席會向董事會各成員建議合資格人選作考慮。董事會各成員將根據候選人的資歷、經驗及背景評估有關人士是否切合本集團的要求。

## LOOKING FORWARD

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure the compliance with the provisions of the Code on Corporate Governance Practices introduced by the Stock Exchange.

## 展望

本集團將繼續適時檢討其企業管治水平，而董事會將竭力採取所需措施，以確保遵守聯交所頒佈的企業管治常規守則條文。

## MEETINGS ATTENDANCE

|  |                | Board<br>董事會<br>(4) | Audit<br>Committee<br>審核委員會<br>(2) | Remuneration<br>Committee<br>薪酬委員會<br>(1) |
|--|----------------|---------------------|------------------------------------|---|
| <b>Number of Meetings</b>                  | <b>會議次數</b>    |                     |                                    |   |
| <b>Executive directors</b>                 | <b>執行董事</b>    |                     |                                    |   |
| Yang, Tou-Hsiung (Chairman)                | 楊頭雄 (主席)       | 4                   | N/A                                | 1   |
| Yang, Cheng                                | 楊正             | 3                   | N/A                                | N/A                                       |
| Yang, Kun-Hsiang (CEO)                     | 楊坤祥 (行政總裁)     | 4                   | N/A                                | N/A                                       |
| Yang, Chen-Wen                             | 楊辰文            | 4                   | N/A                                | N/A                                       |
| Wang, Joel J.                              | 王肇樹            | 4                   | N/A                                | N/A                                       |
| <b>Non-executive director</b>              | <b>非執行董事</b>   |                     |                                    |   |
| Huang, Ching-Jung                          | 黃景榮            | 4                   | N/A                                | N/A                                       |
| Lam, Tuan                                  | 林俊             | 4                   | 2                                  | N/A                                       |
| <b>Independent non-executive directors</b> | <b>獨立非執行董事</b> |                     |                                    |   |
| Chao, Pei-Hong                             | 趙培宏            | 4                   | 2                                  | 1   |
| Chuang, Shu-Fen                            | 莊淑芬            | 4                   | 1                                  | 1   |
| Ko, Jim-Chen                               | 柯俊禎            | 4                   | 2                                  | 1   |

## 會議出席記錄

## INDEPENDENCE INFORMATION

The Company has received, from each of the independent non-executive directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

## 獨立確認

根據上市規則第3.13條，本公司獲得各獨立非執行董事確認其獨立性。本公司認為所有獨立非執行董事均是獨立的。

## COMPLIANCE WITH THE CODE OF BEST PRACTICE AND THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

In the opinion of the Directors, the Company has complied with the Code of Best Practice, as set out in the then Appendix 14 of the Listing Rules, throughout the accounting period covered by the annual report. The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (“Corporate Governance Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) for the year 2005. To ensure stricter compliance with the Corporate Governance Code, relevant amendments to the Company’s Bye-law, such as the provision for rotation of directors, will be proposed and approved by shareholders at the annual general meeting to be held on 9 May 2006.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company had adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the directors (the “Code”). Having made specific enquiry, the Company confirmed that all directors have complied with the required standard as set out in the Code.

## AUDITORS’ REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group is required to pay an aggregate of approximately US\$210,000 to the external auditors for their services including audit and non-audit services.

## DIRECTORS’ AND AUDITORS’ RESPONSIBILITIES FOR ACCOUNTS

The Directors’ responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on pages 55 and 56.

## 遵守上市規則的最佳應用守則及企業管治常規守則

董事認為，本公司在本年報所涉及會計期間一直遵守當時上市規則附錄14所載的最佳應用守則。本公司於二零零五年一直遵守聯交所證券上市規則（「上市規則」）附錄14所載企業管治常規守則（「企業管治守則」）所有守則條文。為確保嚴格遵守企業管治守則，本公司將於二零零六年五月九日舉行之股東週年大會建議對本公司之公司細則（例如董事輪值退任規定）作出相關修訂，並已獲股東批准。

## 上市發行人董事進行證券交易的標準守則

本公司已採納上市規則附錄10所載的「上市發行人董事進行證券交易的標準守則」作為董事進行本公司證券交易的標準守則（「標準守則」）。經作出特定查詢後，本公司確認所有董事已遵守標準守則所載的規定準則。

## 核數師薪酬

本公司審核委員會負責考慮聘請核數師及審核核數師所進行之任何非核數之職能，包括該非核數職能會否對公司帶來潛在重大不利影響。於回顧年度內，本集團需支付約共210,000美元予核數師之服務，包括核數及非核數之服務。

## 董事及核數師對賬目之責任

董事對賬目之責任及核數師對股東之責任載於第55及56頁。