

## Corporate Governance Practices

The Board is committed to a high standard of corporate governance and has adopted the Code on Corporate Governance Practices ("the Code") promulgated by The Stock Exchange of Hong Kong Limited. It has complied throughout the year with all but one of the mandatory code provisions and with all the recommended best practices except quarterly reporting which the Board considers would provide little information of additional value to shareholders while increasing administrative costs and pressure to focus on short-term results rather than long-term value creation. The one exception to the code occurred at its Annual General Meeting for 2005, when the Company deviated from Code Provision E.2.2 requiring the Chairman of a meeting to indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands. It is intended that in future General Meetings, voting will be conducted by poll.

## Investor Relations

All communications for shareholders including reports, announcements and the results of polls of shareholders at shareholder meetings are posted on the Company's website: [www.haeco.com](http://www.haeco.com). Printed copies of the Annual and Interim Reports are also sent to all shareholders.

The Company's 2005 Annual General Meeting was held on 10th May 2005 and the minutes are posted on the Company's website. An Extraordinary General Meeting was held on 9th December 2005, at which independent shareholders approved the renewal of maintenance contracts with Cathay Pacific Airways Limited. The meetings were open to all shareholders and members of the press. The votes of the Extraordinary General Meeting were taken by poll and the poll results were published in newspapers and posted on the Company's website. Key shareholder dates for 2006 are set out on the inside front cover of this report.

From information publicly available to the Company and within the knowledge of its Directors, at least 25% of the Company's total issued share capital has been held by the public at all times.

## Board of Directors

The Company is governed by a Board of Directors which is responsible for directing and supervising its affairs. This Board is accountable to shareholders for the development of the Group with the goal of maximising long-term shareholder value, while balancing broader stakeholder interests.

The Board is also responsible for the integrity of financial information and the effectiveness of the Group's systems of internal control and risk management

## 企業管治常規

董事局致力達致高水平的企業管治，並採納香港聯合交易所有限公司頒佈的《企業管治常規守則》（「該守則」）。除一項守則條文外，董事局全年均遵守所有強制性守則條文，並遵守除季度業績匯報外所有建議最佳常規。董事局認為季度業績匯報僅為股東提供少量具額外價值的資訊，卻令行政成本增加，及增添壓力將注意力集中於短期業績而非創造長期的價值。唯一未有遵守守則條文的情況於二零零五年度股東週年大會上出現，當時公司偏離守則條文第E.2.2條，該條文規定，如以舉手方式表決時，大會主席須在會上表明每項決議案的委任代表投票比例，以及贊成和反對票數。公司擬於日後的股東大會上，以投票方式進行表決。

## 投資者關係

所有股東通訊（包括年度報告書、公告及股東於股東大會上的投票表決結果）均於公司網站 [www.haeco.com](http://www.haeco.com) 登載。年度報告書及中期報告的印刷本亦會發送予全體股東。

公司二零零五年度股東週年大會於二零零五年五月十日舉行，會議紀錄於公司網站登載。二零零五年十二月九日舉行特別股東大會，會上獨立股東批准與國泰航空有限公司續訂維修合約。會議開放予全體股東及傳媒人士。特別股東大會上以投票方式表決，投票結果於報章公佈，並於公司網站登載。與股東有關的二零零六年主要日期載於本報告書封面內頁。

據公司從公開資料所得及就公司董事所知，至少百分之二十五公司已發行股本總額一直由公眾持有。

## 董事局

公司由一個董事局管理，董事局負責領導及監督公司的事務。董事局須就集團的發展向股東負責，以期盡量提高長期股東價值，同時能平衡更多利益相關者的利益。

董事局亦須對財務資料的完整性以及集團內部監控制度與風險管理程序的效能負責。各董事明白其肩負責

processes. The Directors acknowledge their responsibility for the preparation of the accounts of the Company, its keeping of fair and accurate accounting records and its compliance with the Hong Kong Companies Ordinance. The Board has, with the assistance of its Audit Committee, conducted a review of the effectiveness of the Group's system of internal control.

The Board comprises the Chairman, four Executive Directors, and seven Non-Executive Directors. The roles of Chairman and Chief Executive Officer are segregated and are not performed by the same person. The Chairman was an Executive Director until 31st January 2006 when he became Non-Executive. All Directors are subject to re-election by shareholders every three years. New Directors, being individuals who are suitably qualified and expected to make a positive contribution to the performance of the Board, are identified by existing Directors and proposed to the Board for appointment. A Director appointed by the Board is subject to election by shareholders at the first General Meeting after his appointment.

The Non-Executive Directors bring independent judgement on issues of strategy, performance, risk and people through their contribution at Board and Committee meetings. The Board considers that three of the seven Non-Executive Directors are independent in character and judgement and fulfil the independence guidelines set out in rule 3.13 of the Listing Rules.

The Chairman ensures that the Directors receive accurate, timely and clear information. Directors are encouraged to update their skills, knowledge and familiarity with the Group through their initial induction, ongoing participation at Board and Committee meetings, and through meeting key members of management.

All Directors have access to the services of the Company Secretary who regularly updates the Board on governance and regulatory matters. Any Director wishing to do so in the furtherance of his or her duties, may take independent professional advice through the Chairman at the Company's expense. The availability of professional advice extends to the Audit and Remuneration Committees.

The Company has arranged appropriate insurance cover in respect of legal actions against its Directors and Officers.

Minutes of Board meetings are taken by the Company Secretary and, together with any supporting Board papers, are available to all Board members. When necessary, the Independent Non-Executive Directors meet privately to discuss matters which are their specific responsibility. Two such meetings were held in 2005.

任編製公司賬目、確保賬目紀錄公正和準確，並符合《香港公司條例》的規定。董事局在審核委員會協助下，已就集團內部監控制度的效能進行檢討。

董事局包括主席、四名常務董事及七名非常務董事。主席與行政總裁的職責分開，且由不同人士擔任。主席之前為常務董事，直至二零零六年一月三十一日成為非常務董事。所有董事每隔三年須經股東重選。在任董事如認為個別人士具備合適資格並預期可對董事局的表現帶來正面貢獻，可提呈董事局委任為新董事。由董事局委任的董事，須於獲委任後第一次股東大會經股東投票通過。

非常務董事就策略、表現、風險及人才等事宜提供獨立的判斷，透過董事局及委員會會議作出貢獻。董事局認為七位非常務董事中，其中三位為身份獨立的董事，具備上市規則第 3.13 條所載獨立指引所描述的獨立判斷能力。

主席確保各董事收到準確、適時及清楚的資料。公司並鼓勵各董事透過就職時所獲的就任須知、持續參與董事局及委員會會議，以及與主要管理人員會面，不斷更新其技術、知識及對集團的熟悉。

所有董事均可享用公司秘書的服務，公司秘書須定期讓董事局知悉有關管治及規管事宜的最新資料。董事可為履行職責而透過主席尋求獨立專業意見，費用由公司支付。審核委員會及薪酬委員會亦可尋求專業意見。

公司已就其董事及要員可能會面對的法律行動作適當的投保安排。

董事局會議紀錄由公司秘書負責撰寫，這些會議紀錄連同任何有關的董事局會議文件，均向所有董事局成員提供。在需要時，獨立非常務董事會私下進行會議，討論與其本身職責有關的事項。二零零五年曾舉行兩次這樣的會議。

董事局轄下有三個小組委員會：執行委員會、審核委員會及薪酬委員會。審核委員會及薪酬委員會按照該

The Board has three sub-committees: an Executive Committee, an Audit Committee and a Remuneration Committee. The Audit and Remuneration Committees have terms of reference which accord with the principles set out in the Code and minutes are taken by the Company Secretary. The work of these Committees is reported to the Board.

All Directors disclose to the Board on their first appointment their interests as a director or otherwise in other companies or organisations and such declarations of interests are updated annually. When the Board considers any proposal or transaction in which a Director has a conflict of interest, the Director declares his interest.

### Directors' Securities Transactions

The Company has adopted a code of conduct ("the Securities Code") regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") contained in Appendix 10 of the Listing Rules. A copy of the Securities Code is sent to each Director of the Company first on his appointment and thereafter twice annually, one month before the date of the Board meetings to approve the Company's half-year result and annual result, with a reminder that the Director cannot deal in the securities and derivatives of the Company until after such results have been published, and that all his dealings must be conducted in accordance with the Securities Code.

Under the Securities Code, Directors of the Company are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company, and, in the case of the Chairman himself, he must notify the Chairman of the Audit Committee and receive a dated written acknowledgement before any dealing.

All the Directors of the Company have confirmed that they have complied with the required standard set out in the Securities Code.

Directors' interests as at 31st December 2005 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out on page 29.

### Executive Committee

The Executive Committee comprises Executive Directors, two Non-Executive Directors, one of whom chairs its meetings and three senior executives of the Company, its jointly controlled companies, and customers. It is responsible to the Board for overseeing the day-to-day operation of the Company.

### Audit Committee

The Audit Committee assists the Board in discharging its responsibilities for corporate governance, financial reporting, and corporate control. The

守則所訂的原則制定其職權範圍，會議紀錄由公司秘書撰寫。兩個委員會均向董事局匯報工作。

所有董事須於首次獲委任時向董事局申報在其他公司或機構擔任董事或其他職務的身份，有關利益申報每年更新一次。倘董事在董事局討論任何動議或交易時存在利益衝突，該董事須申報利益。

### 董事證券交易

公司已就董事進行的證券交易，採納一套比上市規則附錄十所載《上市發行人董事進行證券交易的標準守則》（「標準守則」）所訂標準更高的董事證券交易守則（「證券守則」）。公司每位董事在受委任之初會獲發一份證券守則，之後每年兩次，分別於董事局召開會議通過公司的半年及全年業績前一個月；當中亦會提醒董事不得買賣公司的證券及衍生產品，直至此等業績公佈為止，而其一切交易必須按照證券守則進行。

根據證券守則，公司董事在買賣公司的證券及衍生產品前，須先通知主席並接獲註明日期的確認書；若為主席本人，則必須通知審核委員會主席，並接獲註明日期的確認書後才可進行有關的買賣。

公司所有董事已確認遵從證券守則所訂的標準。

二零零五年十二月三十一日結算，各董事於公司及其聯屬公司（定義見《證券及期貨條例》第XV部）持有的股份權益於第二十九頁開列。

### 執行委員會

執行委員會的成員包括常務董事、兩位非常務董事（其中一位主持其會議），以及三位來自公司、其共控公司及客戶的高級行政人員。執行委員會負責監察公司的日常運作，並對董事局負責。

### 審核委員會

審核委員會協助董事局履行企業管治、財務報告及企業監控責任。委員會成員包括三名非常務董事，當中兩名包括主席李德信在內為獨立非常務董事。全體委

Committee consists of three Non-Executive Directors, two of whom including the Chairman, Dinty Dickson Leach, are independent. All the members served for the whole of 2005. At the invitation of the Committee, the Director Finance, the Manager Internal Audit of John Swire & Sons (H.K.) Limited, and representatives of the external auditors regularly attend its meetings. The Committee also meets regularly with the external auditors without the presence of company management.

The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and are available on the Company website.

The Audit Committee met three times in 2005. Each meeting receives written reports from the external and internal auditors covering matters of significance arising from the work conducted since the previous meeting. The work of the Committee included the following matters:

- reviewing HAECO management's assessment of the effectiveness of its system of internal control including financial, operational and compliance controls. This assessment was based on completing control self assessment questionnaires;
- reviewing HAECO management's assessment of the effectiveness of its risk management functions. This involved the compilation of registers of the risks involved in managing the business and actively managing the mitigation of these risks. Registers are kept both for enterprise wide risks which are monitored by Executive Directors and for specific risks which are monitored by departmental managers;
- reviewing the 2004 annual and 2005 interim financial statements;
- after reviewing the independence of the external auditors, PricewaterhouseCoopers and the policy on their conducting non-audit work, recommending their appointment to the Board, for the approval by shareholders. Approving the 2005 audit plan and the auditors' remuneration;
- approving the annual internal audit programme, reviewing progress against the programme and discussing matters arising. The Company's internal audit coverage is provided by a combination of its own internal section and visits by Swire Group Internal Audit; and
- reviewing the Company's compliance with regulatory and statutory requirements.

Audit Committee meetings are held a few days before Board meetings with the results of the Audit Committee's work being reported to and considered at the Board meeting.

員於二零零五年全年任職。財務董事、香港太古集團有限公司內部審核部經理及外聘核數師代表應委員會邀請，定期出席委員會會議。委員會亦在公司管理層不在場的情況下，定期與外聘核數師會面。

審核委員會的職權範圍遵照香港會計師公會的指引訂定，並於公司網站登載。

審核委員會在二零零五年間共開會三次。每次會議均省覽外聘及內部核數師的書面報告，內容包括自上次會議日期後進行的工作所引出的重大事項。委員會的工作包括下列事宜：

- 檢討港機工程管理層就其內部監控制度 (包括財務、營運及合規監控) 的效能所作的評估。此評估乃根據監控自我評估問卷調查的結果而進行的；
- 檢討港機工程管理層就其風險管理職能的效能所作的評估。這包括編製有關管理業務所涉及風險的紀錄冊，以及積極謀求減低該等風險。紀錄冊記錄企業風險及特定風險，企業風險由常務董事監控，特定風險則由部門經理監控；
- 檢討二零零四年報告書及二零零五年中期報告的財務報表；
- 在檢討外聘核數師 — 羅兵咸永道會計師事務所及其進行非審核工作政策的獨立性後，向董事局提出委聘建議讓股東通過。通過二零零五年度審核計劃及核數師酬金；
- 通過年度內部審核計劃，檢討計劃進度及討論所引出的事項。公司的內部審核工作由本身的內部審核部門及由太古集團內部審核部進行視察而提供；及
- 檢討公司有否遵守規管及法律規定。

審核委員會會議於董事局會議召開前數天舉行，審核委員會的工作會在董事局會議上匯報並進行討論。

## Remuneration Committee

The Remuneration Committee makes recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management. It comprises three Non-Executive Directors two of whom, Dinty Dickson Leach and Lincoln Leong, are Independent Non-Executive Directors. It is chaired by Peter Johansen.

Under the Services Agreement between the Company and John Swire & Sons (H.K.) Limited which was considered in detail and approved by the Independent Non-Executive Directors of the Company, staff at various levels, including Executive Directors, are seconded to the Company. Those staff report to and take instructions from the Board of the Company but remain employees of the John Swire & Sons Limited ("Swire") group.

In order to be able to attract and retain international staff of suitable calibre, the Swire group provides a competitive remuneration package. This comprises salary, housing, provident fund, leave-passage and education allowances and, after three years' service, a bonus related to the profit of the overall Swire group. The provision of housing affords ease of relocation either within Hong Kong or elsewhere in accordance with the needs of the business and as part of the training process whereby managers gain practical experience in various businesses within the Swire group, and payment of bonuses on a group-wide basis enables postings to be made to group companies with very different profitability profiles.

Although the remuneration of these executives is not entirely linked to the profits of the Company, it is considered that, given the volatility of aviation related businesses, this has contributed considerably to the maintenance of a stable, motivated and high-calibre senior management team in the Company. Furthermore, as a substantial shareholder of the Company, it is in the best interest of Swire to see that executives of high quality are seconded to and retained within the Company.

A number of Directors and senior staff with specialist skills are employed directly by the Company on similar terms with the principal exception that their bonuses are paid by reference to the results of the Company alone.

The Remuneration Committee has reviewed this policy and the levels of remuneration paid to Executive Directors of the Company. At its meeting in November, the Committee considered a report prepared for it by Mercer Human Resource Consulting Limited, an independent firm of consultants, which confirmed that the remuneration of the Company's Executive Directors was in line with comparators in peer group companies. The Committee

## 薪酬委員會

薪酬委員會就公司有關董事及管理高層的薪酬政策及結構向董事局提出建議。委員會成員包括三位非常務董事，當中李德信及梁國權二人為獨立非常務董事。薪酬委員會由容漢新出任主席。

公司與香港太古集團有限公司訂立的服務協議已由公司的獨立非常務董事經慎重考慮後批核，根據該協議，包括常務董事在內的不同職級員工會被借調到公司工作。該等員工向公司的董事局匯報，並受其指派，但仍然是英國太古集團有限公司（「太古」）集團的僱員。

為了吸引及留住具有合適才幹的國際員工，太古集團提供具競爭力的薪酬福利。這包括薪金、房屋津貼、公積金、休假旅費及教育津貼，以及服務滿三年可獲按太古集團整體溢利發放的花紅。提供房屋津貼可方便將員工調遷至香港或其他地方，以配合業務需要及作為培訓過程的一個部分，使管理人員在太古集團不同業務範疇取得實際經驗，而按集團整體表現發放花紅，可將員工派駐到盈利能力相距較大的集團公司。

考慮到航空相關業務的表現反覆，該等行政人員的薪酬福利因而並未全然與公司的溢利掛勾。雖然如此，但這措施已被認為在很大程度上有助公司維持一支既穩定、且主動進取而具才幹的高層管理隊伍。此外，太古作為公司的主要股東，能將高質素的行政人員留住並借調到公司，亦符合其最大的利益。

多位具有專業才幹的董事及高層職員乃由公司以相若的條件直接聘用，惟主要分別是其花紅只參照公司的業績而發放。

薪酬委員會已就此政策及公司常務董事的薪酬水平進行檢討。在十一月召開的會議上，委員會研究一份由獨立顧問美世人力資源顧問有限公司編製的報告，該報告確認公司常務董事的薪酬與同類公司相若。

approved individual Directors' remuneration packages to be paid in respect of 2006.

No Director takes part in any discussion about his own remuneration.

The number of meetings held by the Board and Committees during the year and the attendance of Directors is set out in the table below.

委員會已批准二零零六年度發放予各董事的薪酬福利。

各董事並無參與有關其本身薪酬的任何討論。

董事局及各委員會於本年度間召開的會議次數及董事的出席次數於下表開列。

Directors 董事	Meetings attended/held 會議出席次數/舉行次數			
	Board 董事局	Executive Committee 執行委員會	Audit Committee 審核委員會	Remuneration Committee 薪酬委員會
<b>Executive Directors 常務董事</b>				
Chan Ping Kit 陳炳傑 – Deputy Chairman & Chief Executive Officer 一副主席兼 行政總裁	6/6	5/8		
Charles Bremridge 彭勵志	5/6	5/8		
Marven Bowles 馬文博	4/4	4/5		
Mark Hayman 馬海文	6/6	7/8		
J Robert Gibson 紀必信	2/2	4/4		
<b>Non-Executive Directors 非常務董事</b>				
David Turnbull 唐寶麟 – Chairman (note 1) 一主席(附註1)	5/6			
Derek Cridland 梁德基	6/6			
Davy Ho Cho Ying 何祖英	6/6	5/8		
Peter Johansen 容漢新	6/6		3/3	3/3
Tony Tyler 湯彥麟	5/6	8/8		
<b>Independent Non-Executive Directors 獨立非常務董事</b>				
Bob Adams 羅安達	4/6			
Dinty Dickson Leach 李德信	3/6		3/3	3/3
Lincoln Leong Kwok Kuen 梁國權	6/6		3/3	3/3
Dr. Alex Wu Shu Chih (note 2) 吳樹熾博士(附註2)	0/1			

Notes: 1. David Turnbull was an Executive Director until 31st January 2006.  
2. Dr. Alex Wu died on 10th January 2005.

附註：1. 唐寶麟出任常務董事直至二零零六年一月三十一日。  
2. 吳樹熾博士於二零零五年一月十日辭世。

## External auditors

The remuneration of the Group's external auditors is HK\$1.1 million for statutory audit fees disclosed in note 5 to the accounts and HK\$0.2 million for other assurance services fees. The auditor's statement regarding about their reporting responsibilities is included in their audit report on page 31.

## 外聘核數師

集團外聘核數師就提供賬目附註5所披露的法定核數費用為港幣一百一十萬元，其他保證服務費用則為港幣二十萬元。核數師就其申報責任所作的聲明，載於第三十一頁的核數報告書內。