

## CORPORATE GOVERNANCE REPORT

### 企業管治報告

In the opinion of the Directors, the Group had, throughout the nine months ended 31 December 2005, complied with the Code of Best Practices set out in Appendix 14 of the Listing Rules. The Code of Best Practices was replaced by the Code on Corporate Governance which has become effective for accounting periods commencing on or after 1 January 2005. The Company had, to certain extent, applied the principles and complied with code provisions and the recommended best practices of the Code on Corporate Governance Practices throughout the nine months ended 31 December 2005.

#### BOARD COMPOSITION AND BOARD PRACTICES

The Board is principally responsible for the management and operations of the Group. The Board also reviews the overall strategic development and monitors the financial performance of the Group. The Directors acknowledge their responsibilities in reviewing the reports of the Group for the year covered by this annual report.

The Board comprises a total of eight Directors, three of which are executive Directors, two non-executive Directors and three independent non-executive Directors. One of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise.

Board composition review will be made regularly to ensure that it has a balance of expertise, skills and expertise appropriate for the requirements of the business of the Group. In accordance with article 101 of the Company's Articles of Association, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire at the forthcoming Annual General Meeting and shall be eligible for re-election.

董事認為，本集團於截至二零零五年十二月三十一日止九個月年度期間一直遵守上市規則附錄十四所載最佳應用守則之規定。最佳應用守則已由企業管治守則取代，並由二零零五年一月一日或之後開始之會計期間生效。本公司於截至二零零五年十二月三十一日止九個月年度期間在若干程度上已應用守則所轉載之原則，並已遵守守則條文及建議最佳企業管治常規守則。

#### 董事會組成及董事會常規

董事會主要負責管理及經營本集團，董事會亦檢討整體策略發展，並監管本集團的財務表現。董事知悉彼等之責任為審閱本集團於本年報所涵蓋年度之報告。

董事會由合共八名董事組成，當中三名為執行董事、兩名為非執行董事、及三名為獨立非執行董事。其中一名獨立非執行董事擁有適當之專業資格，或具備會計或相關財務管理專長。

本公司將定期檢討董事會之組成，確保其具備適當及所需之專長、技能及經驗以應付本集團業務之需求。根據本集團之公司組織章程細則第101條之規定，三分之一之現任董事（或倘董事人數並非三位或三之倍數，則為最接近三分之一之人數），任期將於應屆股東週年大會屆滿，惟彼等具備資格膺選連任。

**CHAIRMAN'S ROLE AND RESPONSIBILITY**

The Chairman of the Board ("Chairman") and the Group General Manager are separate individuals, to maintain segregation of duties between the management of the Board and the day-to-day management of the Group's business. One important role of the Chairman is to provide leadership for the Board. The Chairman has to ensure that the Board works effectively, discharges responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. All Directors are consulted about matters proposed for inclusion in the agenda. The Chairman has delegated to the Company Secretary the responsibility for drawing up the agenda for each Board meeting.

The Group supports the establishment of good corporate governance practices and procedures. The Group General Manager has been delegated such authority. The Board always acts in the best interests of the Group, and all Directors have made full and active contribution to the affairs of the Board. Meeting between the Chairman and the non-executive Directors (including Independent non-executive Directors) without the presence of executive Directors has been scheduled as at least once a year.

A package of orientation materials setting out the duties and responsibilities of Directors under the Listing Rules, related ordinances and relevant regulatory requirements of Hong Kong is provided to each newly appointed Director. Orientation meeting for briefing on business and operations of the Group will be held with the Directors concerned.

**主席的角色及責任**

董事會主席(「主席」)及集團總經理之職務由不同人士擔任，使董事會管理及本集團業務之日常管理得以有效區分。主席之其中一項主要職能為領導董事會。主席須確保董事會有效運作及履行職責，並就各項重要及適當事務進行適時討論。所有董事均經諮詢以提出任何商討事項列入會議議程。主席已委派公司秘書負責擬定每次董事會會議之議程。

本集團支持制定良好之企業常規管治守則及程序。集團總經理已獲授有關授權。董事會經常以符合本集團最佳利益之方式行事，所有董事均全力投入董事會事務。主席與非執行董事(包括獨立非執行董事)至少每年一次在執行董事並不出席之情況下舉行會議。

各新任董事於就任時均獲提供詳盡資料，載列上市規則、相關法例及香港有關監管規例所訂之董事職責及責任。本公司亦就新任董事就任時安排會議，就本集團之業務及運作向有關董事作出簡介。

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#### BOARD OF DIRECTORS

The Board meets regularly. For the nine months ended 31 December 2005, it held four meetings. Regular Board meetings of the year are scheduled in advance. All notices of the meeting of the Board will be made to various directors at least 14 days prior to the meeting, the Company Secretary will assist the Chairman in preparing the memorandum of the meeting as to give all Directors an opportunity to attend. Board papers are circulated not less than three days before the Board meetings, to enable the Directors to make informed decisions on matters to be raised at the Board meetings and to offer them sufficient time to review the documents. The Company Secretary and the Qualified Accountant normally attend all regular Board meetings, to advise on corporate governance, statutory compliance, accounting and financial matters when necessary, as to ensure the compliance and maintenance of sound corporate governance practice. The Company Secretary shall prepare minutes and keep record of matters discussed and decisions resolved at all Board meetings.

#### 董事會

董事會定期開會。截至二零零五年十二月三十一日止九個月年度，合共召開四次會議。每年定期召開之董事會會議均預定有關舉行日期。所有董事會會議的通知將於會議舉行最少十四天前發出予各董事，公司秘書協助主席預備會議議程，使各董事有充裕時間及機會出席。為確保董事會會議之討論事項具備充份資料以作出決定及使各董事有時間審閱該等文件，會議文件均於會議召開前不少於三天送交全體董事。公司秘書及合資格會計師均出席各董事會定期會議，於有需要時就企業管治、法定管治、會計及財務等事宜向董事會提供意見，以確保本公司遵守及維持良好企業管治常規。於董事會會議上經討論及議決之事項均由公司秘書詳細記錄及存檔。

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For the nine months ended 31 December 2005, the Board met four times and the Directors' attendance at the Board Meeting is as follows:

於二零零五年十二月三十一日九個月期間，董事會舉行四次會議，董事出席情況如下：

Director	董事	Attendance 出席次數
Chairman WANG Xiaowu	主席 汪小武	4
Executive Directors MEI Qiping CHEN Danyun	執行董事 梅勤萍 陳丹雲	4 4
Non-executive Directors FENG Qiang YE Tao	非執行董事 馮強 葉濤	4 1
Independent non-executive Directors LAM Kwong Siu CHEUNG Wah Fung, Christopher LEUNG Hok Lim	獨立非執行董事 林廣兆 張華峰 梁學濂	4 1 4

Records of Board meetings are kept by the Company Secretary, and submitted to each Director for filing and made available to them for their inspection.

董事會會議記錄乃由公司秘書保存，並會送呈各董事作為記錄及會公開讓董事查閱。

Insurance policy has been arranged to safeguard the interests of the Directors in case of legal proceedings.

已安排適當保險，使董事面對法律訴訟時得到保障。

#### Non-executive Directors

Mr. Ye Tao and Mr. Feng Qiang were appointed as non-executive directors on 24 September 2004 and 27 January 2005 respectively and without a specific term, but are subject to retirement by rotation at the Annual General Meeting in compliance with the Company's Articles of Association.

#### 非執行董事

葉濤先生及馮強先生分別於二零零四年九月二十四日及二零零五年一月二十七日，獲委任為非執行董事，其委任均無指定任期，惟須按照本集團之公司組織章程細則之規定，須於股東週年大會屆滿輪席告退并膺選連任。

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#### CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each independent non-executive Director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules, and are independent in accordance with the terms of the guidelines.

Mr. Lam Kwong Siu and Mr. Cheung Wah Fung, Christopher were appointed as independent non-executive director on 11 December 2003, and were re-appointed as independent non-executive director on 11 December 2005 for a term of two years. However, their tenures are subject to the Articles of Association of the Company and the Code on Corporate Governance, under which they have to retire by rotation and make themselves eligible for re-election.

#### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted Appendix 10 of the Listing Rules, the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made with all Directors and the Directors have complied with the required standard set out in the Model Code for the nine months ended 31 December 2005.

#### 獨立非執行董事之獨立性確認書

各獨立非執行董事已根據上市規則第3.13條之規定提交確認其符合獨立性之確認書。本公司認為所有獨立非執行董事皆符合載於上市規則第3.13條獨立性指引，並根據該指引條文屬獨立人士。

林廣兆先生及張華峰先生於二零零三年十二月十一日獲委任為獨立非執行董事，於二零零五年十二月十一日獲重新委任為獨立非執行董事為期兩年。然而，其任期須受本公司章程及企業管治常規守則之規定，在股東週年大會上董事須輪席告退及重選再任。

#### 董事進行證券交易之標準守則

本集團已採納載於上市規則附錄十有關董事進行證券交易之標準守則，作為董事買賣證券之標準守則。經向所有董事作出特定查詢後，各董事於截至二零零五年十二月三十一日止九個月年度內，一直遵守標準守則之規定。

**AUDIT COMMITTEE**

The Audit Committee of the Group was established in 1999. Currently, it comprises three members, all of whom are independent non-executive directors, namely Mr. Leung Hok Lim who possesses professional accounting qualification, Mr. Lam Kwong Siu and Mr. Cheung Wah Fung, Christopher. Mr. Leung Hok Lim is the Chairman of the Audit Committee. The Audit Committee adopted the term of reference in accordance with the Code on Corporate Governance Practices issued by the Stock Exchange. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. Two regular meetings have been held by the Audit Committee during the year. Each Committee meeting was provided with necessary financial information of the Group for consideration, review and assessment of major issues.

During the nine months ended 31 December 2005, the members of the Audit Committee met twice and their attendance is as follows:

**審核委員會**

本集團於一九九九年設立審核委員會。現時委員會由三名成員組成，彼等均為獨立非執行董事，包括梁學濂先生（具備專業會計師資格）、林廣兆先生及張華峰先生。梁學濂先生為審核委員會主席。審核委員會已採納與聯交所頒佈企業管治常規守則一致之職權範圍。審核委員會之主要職務包括審閱及檢討本集團之財務申報程序及內部監控。審核委員會於本年度已舉行兩次定期會議。每次委員會會議均獲提供必須之本集團財務資料，供成員考慮、檢討及評審工作中涉及之重大事宜。

於二零零五年十二月三十一日九個月期間，審核委員會舉行兩次會議，成員出席情況如下：

Name of member	成員名稱	Attendance 出席次數
LEUNG Hok Lim ( <i>Chairman</i> )	梁學濂 ( <i>主席</i> )	2
LAM Kwong Siu	林廣兆	2
CHEUNG Wah Fung, Christopher	張華峰	0

The Audit Committee has reviewed the interim and final financial results for the year 2005. The Audit Committee consider the financial statement to be complied with the appropriate financial standards and the law regulations and with enough disclosure has been made.

審核委員會已審閱本集團截至二零零五年中期及全年度財務業績。審核委員會認為，該等報表符合適用會計準則及法律規定且已作出足夠披露。

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#### NOMINATION COMMITTEE

The Nomination Committee was formed by the Group in March 2005. The Committee currently comprises three members, all of whom are independent non-executive directors namely Mr. Cheung Wah Fung, Christopher, Mr. Leung Hok Lim and Mr. Lam Kwong Siu, whereas Mr. Cheung Wah Fung, Christopher was nominated as the Chairman of the committee. The major duty of the Nomination Committee is to ensure fair and transparent procedures for the appointment, re-election and removal of directors to the Board.

During the nine months ended 31 December 2005, the members of the Nomination Committee met once and their attendance is as follows:

Name of member	成員名稱	Attendance 出席次數
CHEUNG Wah Fung, Christopher ( <i>Chairman</i> )	張華峰 (主席)	0
LEUNG Hok Lim	梁學濂	1
LAM Kwong Siu	林廣兆	1

#### REMUNERATION COMMITTEE

The Group established its Remuneration Committee in March 2005. The Committee currently comprises three members, all of whom are independent non-executive directors, namely Mr. Lam Kwong Siu, Mr. Leung Hok Lim and Mr. Cheung Wah Fung, Christopher. Mr. Lam Kwong Siu is the Chairman of the Remuneration Committee. The Remuneration Committee adopted the term of reference in accordance with the requirements of the Stock Exchange. The Remuneration Committee met once during the year as to review the emolument policy and the benefits of the executive directors.

#### 提名委員會

本集團於二零零五年三月成立提名委員會。現時委員會由三名成員組成，彼等為獨立非執行董事，包括張華峰先生、梁學濂先生及林廣兆先生，張華峰先生為提名委員會主席。提名委員會主要職務是確保董事之委聘、重選及罷免的程序符合及透明之原則。

於二零零五年十二月三十一日九個月期間，提名委員會舉行一次會議，成員出席情況如下：

#### 薪酬委員會

本集團於二零零五年三月成立薪酬委員會，現時委員會由三名成員組成，彼等為獨立非執行董事，包括林廣兆先生、梁學濂先生及張華峰先生。林廣兆先生為薪酬委員會的主席。薪酬委員會之職權範圍乃遵從聯交所之規定，薪酬委員會於年度時舉行一次會議，審閱執行董事之薪酬政策及待遇。

The Remuneration Committee shall consult the Chairman and/or the General Manager of the Group about their proposals relating to remuneration package and other human resources issues of the Directors and senior management of the Group. The emoluments of Directors are based on each Director's skill, knowledge and involvement in the Group's affairs, the Group's performance and profitability, remuneration benchmark in the industry and the prevailing market conditions.

For the nine months ended 31 December 2005, the members of the Remuneration Committee met once and their attendance at the Board Meeting is as follows:

Name of member	成員名稱	Attendance 出席次數
LAM Kwong Siu ( <i>Chairman</i> )	林廣兆 (主席)	1
LEUNG Hok Lim	梁學濂	1
CHEUNG Wah Fung, Christopher	張華峰	0

#### AUDITORS EMOLUMENT

For the year ended 31 December 2005, auditors of the Company received approximately HK\$425,000 as auditing fee.

#### RISK MANAGEMENT

The Company's management believes that risk management is an essential component of the Group's administrative structure. The management assists the Board of Directors in evaluating material risk exposure existing in the Group's business, including investment risk, interest rate risk, liquidity risk etc, and participates in designing and formulating appropriate risk management and internal control measures, and to ensure its implementation in daily operational management.

薪酬委員會須就本集團董事及高級管理人員之薪酬建議及其他人力資源問題諮詢本集團主席及／或總經理。董事酬金根據個別董事之技能、知識水平及對本集團事務之投入程度，並參照本集團之業績與盈利狀況、同業酬金水平及市場環境而釐定。

於二零零五年十二月三十一日九個月期間，薪酬委員會舉行一次會議，成員出席情況如下：

#### 核數師酬金

截至二零零五年十二月三十一日止年度，本公司核數師收取約425,000港元作為核數費用。

#### 風險管理

公司管理層相信風險管理是本集團管治架構中重要的組成部分。管理層協助董事會評估本集團業務中存在的主要風險，包括投資風險、利率風險、流動資金風險等，參與設計和制訂合適的風險管理及內部監控措施，並在日常經營管理中落實執行。



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The management considers that the investment risk management measures provide guarantee to the Group through its way of seeking new development opportunities, as to secure reasonable return in every investment, to reduce investment risks and to avoid possible loss attributable to investments.

The Group's risk management towards liquidity aims to ensure that under all circumstances there exists sufficient capital to fulfill repayment obligations of all debts due, to maintain good creditworthiness, to finance reasonable investment opportunities and to fuel business development. The Group's accounting department is responsible for daily financial activities and monitors liquidity position from time to time to cope with business operation of the Company.

#### CORPORATE CORRESPONDENCE

The Company commits to report to the shareholders of the Company the Group's corporate information in a timely and punctual way through notifying or mailing to all shareholders via press release, Interim Report and Annual Report. The circular of the Annual General Meeting will be distributed to all shareholders of the Company at least 21 days prior to the meeting, which set out the requirements and the procedure of the vote and the relevant details of other proposed resolutions. The printed copies of the Group's Annual Report and Interim Report have been dispatched to all the shareholders.

管理層認為投資風險管理之措施可以令集團在尋找新的發展機會中得到保障，使每一項投資都能得到合理的回報，減低投資風險、避免投資可能會帶來的損失。

本集團對流動資金的風險管理，旨在確保在任何情況下，仍能以充足的資金履行所有到期債務的償還責任，保持良好的信譽；能在適當的投資機會中提供所需資金，以擴大業務發展。集團會計部負責日常的財務活動並不時監察流動資金狀況，以應付公司的經營運作。

#### 企業通訊

本公司依時向股東匯報本集團之企業資料，並透過刊發新聞稿、中期報告及年報等方式，通知和寄發予所有股東，而有關股東週年大會的通函於大會舉行前最少二十一天寄發予所有股東，通函載列要求及舉行票選的程序及其他建議的議案的有關資料。本集團的年報及中期報告之印刷已寄發予所有股東。

**CORPORATE MONITOR**

The Board is responsible for monitoring the Group's overall corporate reporting process and control system, while the corporate reporting standard is handled by the accounting department, which makes regular review of resources allocation and financial reporting system properly. Compliance with Code on Corporate Governance, the Listing Rules, SFO and other applicable laws and regulations are handled by the Company Secretary. The Company's management meets with the executive Directors regularly to review and brief the reporting system, and the Audit Committee annually to review and brief the reporting system.

A package of detailed materials setting out the duties and responsibilities of Directors of the Company is provided to each newly appointed Director of the Company, in which it is especially specified the applicable rules and regulations (including the Listing Rules) that the first time appointed Directors of the Company shall notice and understand.

In respect of the securities transactions made by Directors, the Company has adopted a set of rules not less stricter than the code of conduct regarding the standard for securities transactions by listing issuers set out in Appendix 10 of the Listing Rules (the "corporate code"). Printed copies of the corporate code have been distributed to each Directors and relevant employees of the Group as stipulated therein. All the Directors confirmed that they have complied with the standards set out therein.

On behalf of the Board

**Wang Xiaowu**

*Chairman*

Hong Kong, 19 April 2006

**企業監控**

董事會有責任監察本集團整體企業匯報過程及控制系統，企業匯報標準已交予會計部負責，由會計部適當地定期檢討資源調配及財務匯報系統。企業管治常規，以及符合上市規則、證券及期貨條例及其他適用法規等事宜，已交予公司秘書負責。本公司管理層定期與執行董事檢討及簡述匯報系統，亦每年與審核委員會檢討及簡述匯報系統。

本公司每位新委任董事均獲發一份詳盡資料，當中詳述作為本公司董事之責任及職責，並特別註明首次獲委任本公司董事須留意及知悉之適用規則及規例（包括上市規則）。

本公司就本集團董事及僱員之證券交易，採用一套不低於上市規則附錄十上市發行人之證券交易標準之行為守則（「公司守則」）。公司守則之印刷本已分發予本公司守則內規定須獲提供之本集團每位董事及相關僱員。所有董事已確認，彼等已遵守本公司之守則內所載標準。

代表董事會

**汪小武**

*主席*

香港，二零零六年四月十九日