

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 the code provisions of 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”) during the year 2005 except that:

- (a) with respect to the Code Provisions A.4.1 and A.4.2 of the Code, the non-executive Directors (whether independent or not) of the Company are not 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, nevertheless, one-third (or the nearest number to but not exceeding one-third) of all the Directors of the Company 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;
- (b) the Company has not set up a remuneration committee pursuant to the Code Provision B.1.1 of the Code as there is only one Director of the Company entitling to remuneration and the Board is responsible for reviewing and evaluating the remuneration package of the said Director; and
- (c) the former Chairman of the Board was not available to attend the Annual General Meeting of the Company for 2005 as required by the Code Provision E.1.2 of the Code, however, representatives of the Board including executive and independent non-executive Directors of the Company were present to answer questions on the business of the Company and its subsidiaries (altogether the “Group”) at the meeting.

本公司董事局（「董事局」）致力保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。

企業管治守則

本公司在二零零五年度內一直採用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》」）內之原則和遵守有關守則條文，惟下文所述者除外：

- (a) 關於該《守則》第A.4.1及第A.4.2條，雖然本公司之非執行董事（不論獨立與否）均無指定任期，而本公司之《公司組織章程細則》亦沒有規定本公司每名董事需至少每三年輪流退任一次，惟根據本公司之《公司組織章程細則》之規定，在本公司當時所有在任董事中，三分之一（或最接近惟不超過三分之一）之成員須在本公司股東週年大會上輪值告退，惟可競選連任；
- (b) 由於本公司只有一位董事獲發薪酬，而該董事之薪酬由董事局負責審核及評估，故本公司並沒有根據該《守則》之守則條文第B.1.1條之規定設立一個薪酬委員會；及
- (c) 董事局前任主席未能根據該《守則》之守則條文第E.1.2條之規定出席本公司之二零零五年度股東週年大會，惟董事局多名代表，包括本公司之執行董事及獨立非執行董事均出席了該大會，以解答有關本公司及其附屬公司（統稱「本集團」）業務之提問。

THE BOARD

The Board is currently composed of nine members, including five executive Directors (one of whom being the Chairman), one non-executive Director and three independent non-executive Directors, whose biographical details 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 22 to 24.

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

The Board meets regularly throughout the year. The Company Secretary assists the Chairman in setting the meeting agenda for regular Board meetings and all Directors are consulted to include any matters in the agenda. Besides, notice of at least 14 days is given for a regular Board meeting and agenda together with accompanying board papers are given to all Directors in a timely manner before the date of meeting.

董事局

董事局現由九位成員組成，包括五位執行董事（其中一位為主席）、一位非執行董事及三位獨立非執行董事，有關成員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工作列載於第22至第24頁董事及高級行政人員簡介中。

董事局三分之一的成員為獨立非執行董事，按《上市規則》的規定，其中一位具有專業會計資格。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書，並認為全體獨立非執行董事均屬獨立人士。

董事局在年度內定期舉行會議。本公司之公司秘書協助主席編製定期董事局會議的議程，所有董事均被諮詢在議程中加入任何議題。此外，本公司在定期董事局會議舉行日期前最少十四天發出通知，並在會議舉行前及時向所有董事提供相關的議程及董事局文件。

The Board held four regular meetings in 2005 and the attendance of individual members at those meetings is detailed as follows:

董事局在二零零五年舉行了四次定期會議，在該等會議中，個別成員的出席詳情如下：

Directors	董事	Regular Board Meetings attended / held 已出席 / 舉行的 定期董事局會議
Executive Directors		
Mr Liu Xiaolong (<i>Chairman</i>) (appointed on 5th December, 2005)	劉小龍先生 (主席) (於二零零五年十二月五日獲委任)	1/1
Madam Hsu Feng	徐 楓女士	4/4
Mr Lu Yihao	陸怡皓先生	4/4
Mr Tong Albert	湯子同先生	4/4
Madam Xu Mei (appointed on 15th February, 2005)	許 玫女士 (於二零零五年二月十五日獲委任)	4/4
Mr Ji Jie Ping (resigned on 1st February, 2005)	季界平先生 (於二零零五年二月一日辭任)	N/A 不適用
Mr Chen Jianbo (<i>Former Chairman</i>) (resigned on 5th December, 2005)	陳劍波先生 (前任主席) (於二零零五年十二月五日辭任)	2/3
Mr Tung Ming-Hsun (resigned on 23rd January, 2006)	董明遜先生 (於二零零六年一月二十三日辭任)	4/4
Non-Executive Director		
Mr Sung Tze-Chun (appointed on 23rd January, 2006)	宋四君先生 (於二零零六年一月二十三日獲委任)	N/A 不適用
Independent Non-Executive Directors		
Mr Liang Jung-chi	梁榮基先生	4/4
Ms Hou Chun	郝 君女士	4/4
Mr Zhang Hong Bin (appointed on 1st April, 2005)	章宏斌先生 (於二零零五年四月一日獲委任)	4/4
Mr Sun Yong (resigned on 1st April, 2005)	孫 勇先生 (於二零零五年四月一日辭任)	N/A 不適用

The Board has always acted in the best interest of 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, and to monitor and control significant operational and financial matters of the Group. The Board, led by the Chairman, has reserved for its decision or consideration matters covering corporate strategy, annual and interim results, changes of members of the Board and its committees, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. All Board committees have clear written terms of reference and 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 its committees.

The Board has agreed on a procedure to enable the Directors to seek independent professional advice in appropriate circumstances, 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 for appropriate liability insurance since January 2006 to indemnify its Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

董事局時刻顧及本集團和股東的最佳利益。董事局的主要工作為制訂策略、考慮和審批本集團的主要企業事項，以及監控本集團的重大營運和財務事項。由主席領導的董事局已保留有關企業策略、年度和中期業績、董事局及其委員會的成員變動、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。所有董事局轄下之委員會已有書面訂明的清晰職權範圍，並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其轄下之委員會所訂定的策略和計劃。

董事局已協定一個有關董事可在適當情況下尋求獨立專業意見的程序，以協助彼等履行其職責，有關費用由本公司承擔。

所有董事會適時獲知可能影響本集團業務之重大改變，其中包括相關法則及規例之修訂。

自二零零六年一月起，本公司已就彌償其董事因企業活動中所產生的責任安排適當的責任保險。保險之保障範圍每年將予以檢討。

Executive Committee

The Board has established an Executive Committee, of which the Chairman of the Board, Mr Liu Xiaolong, is not a member, and adopted terms of reference for the Chairman and the Executive Committee in writing since August 2005. There is a segregation of duties between the Chairman's responsibility for leadership and management of the Board and the responsibility of the Executive Committee to deal with the day-to-day management of the Company's business.

The Executive Committee is composed of four executive Directors of the Company, namely Madam Hsu Feng, Mr Lu Yihao, Mr Tong Albert and Madam Xu Mei. Madam Hsu Feng was appointed as the chairman of the Executive Committee.

Two Executive Committee's meetings were held during 2005 and the attendance of its members is as follows:

執行委員會

董事局已設立一個執行委員會，而董事局主席劉小龍先生並非其成員。自二零零五年八月，董事局已採納以書面訂明的主席及執行委員會之職權範圍。主席和執行委員會之職責已清楚區分，主席乃負責領導及管理董事局，而執行委員會則負責管理本公司之日常業務運作。

執行委員會由本公司四名執行董事，即徐楓女士、陸怡皓先生、湯子同先生及許玫女士組成。徐楓女士獲委任為執行委員會的主席。

在二零零五年內已舉行兩次執行委員會會議，出席的成員如下：

Executive Committee's Meetings attended / held 已出席 / 舉行的 執行委員會會議

Committee members	委員會成員	
Madam Hsu Feng (Chairman of Executive Committee)	徐 楓女士 (執行委員會主席)	2/2
Mr Lu Yihao	陸怡皓先生	2/2
Mr Tong Albert	湯子同先生	2/2
Madam Xu Mei	許 玫女士	2/2

Audit Committee

An Audit Committee was established in April 1999 by the Board with written terms of reference which have been modified to align with the Code Provision C.3.3 of the Code. The Audit Committee is now composed of the three independent non-executive Directors of the Company, namely Mr Liang Jung-chi, Ms Hou Chun and Mr Zhang Hong Bin. Mr Zhang Hong Bin who possesses an appropriate professional accounting qualification was appointed as the chairman of the Audit Committee.

審核委員會

董事局於一九九九年四月設立了審核委員會，其以書面訂明之職權範圍已作出修訂，以符合該《守則》第C.3.3條之規定。審核委員會現由本公司三位獨立非執行董事，即梁榮基先生、郝君女士及章宏斌先生組成。擁有適當會計專業資格的章宏斌先生已獲委任為審核委員會主席。

Under the terms of reference of the Audit Committee, the Committee is required to review the accounting policies and practices adopted by the Group, to monitor integrity of the financial statements of the Company, to evaluate the overall effectiveness of the internal control and risk management frameworks of the Group and to oversee the relationship with the Company's auditors.

During the year 2005, the Audit Committee has met three times to discharge its duties by reviewing the interim and annual financial statements as well as the audit matters of the Group, and the internal control and risk management systems of the Group and the attendance of its members is as follows:

根據審核委員會的職權範圍書，該委員會須檢討本集團採用的會計政策和守則，監控本公司財務報表的完整性，評估本集團內部監控和風險管理框架的整體效益，以及監察與本公司核數師的關係。

在二零零五年度內，審核委員會已舉行三次會議，履行其職責審閱本集團的中期和年度財務報表、審核事宜，以及本集團的內部監控和風險管理制度。審核委員會會議出席的成員如下：

Committee members	委員會成員	Audit Committee's Meetings attended / held 已出席 / 舉行的 審核委員會會議
Mr Zhang Hong Bin (<i>Chairman of Audit Committee</i>) (appointed on 1st April, 2005)	章宏斌先生 (審核委員會主席) (於二零零五年四月一日獲委任)	3/3
Mr Liang Jung-chi	梁榮基先生	3/3
Ms Hou Chun	郝君女士	3/3
Mr Sun Yong (<i>Former Chairman of Audit Committee</i>) (ceased on 1st April, 2005)	孫勇先生 (前任審核委員會主席) (於二零零五年四月一日離任)	N/A 不適用

Appointments and Re-election of Directors

The Company has not set up 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) and assessing the independence of the independent non-executive Directors. The Board should consider any appointment of its own members and nomination 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 the latest information of the Group, induction into their responsibilities and duties and other related regulatory requirements.

董事之委任和重選

本公司並沒有按照該《守則》的建議最佳常規設立提名委員會。董事局負責檢討其成員之架構、人數和組成(包括技能、知識和經驗方面)，以及評估獨立非執行董事的獨立性。董事局應考慮其任何成員的委任事宜，並在彼等獲委任後，考慮於股東大會中向股東提名重選彼等為董事。

每名新委任的董事將獲分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。

Three Board meetings were held during 2005 regarding the appointments of Directors. Details of the attendance of the Board members are as follows:

董事局在二零零五年內曾舉行三次有關委任董事的會議。出席董事局會議的成員詳情如下：

Directors	董事	Board Meetings regarding appointments of directors attended / held 已出席／舉行 有關委任董事的 董事局會議
Executive Directors		
Mr Liu Xiaolong (<i>Chairman</i>) (appointed on 5th December, 2005)	劉小龍先生 (主席) (於二零零五年十二月五日獲委任)	N/A 不適用
Madam Hsu Feng	徐 楓女士	3/3
Mr Lu Yihao	陸怡皓先生	3/3
Mr Tong Albert	湯子同先生	3/3
Madam Xu Mei (appointed on 15th February, 2005)	許 玫女士 (於二零零五年二月十五日獲委任)	2/2
Mr Ji Jie Ping (resigned on 1st February, 2005)	季界平先生 (於二零零五年二月一日辭任)	N/A 不適用
Mr Chen Jianbo (<i>Former Chairman</i>) (resigned on 5th December, 2005)	陳劍波先生 (前任主席) (於二零零五年十二月五日辭任)	2/2
Mr Tung Ming-Hsun (resigned on 23rd January, 2006)	董明遜先生 (於二零零六年一月二十三日辭任)	3/3
Non-Executive Director		
Mr Sung Tze-Chun (appointed on 23rd January, 2006)	宋四君先生 (於二零零六年一月二十三日獲委任)	N/A 不適用
Independent Non-Executive Directors		
Mr Liang Jung-chi	梁榮基先生	3/3
Ms Hou Chun	郝 君女士	3/3
Mr Zhang Hong Bin (appointed on 1st April, 2005)	章宏斌先生 (於二零零五年四月一日獲委任)	1/1
Mr Sun Yong (resigned on 1st April, 2005)	孫 勇先生 (於二零零五年四月一日辭任)	0/1

Remuneration of Directors

As disclosed above, no remuneration committee was set out and a meeting of the Board was held in 2005 which was attended by a majority of the then Directors, namely Mr Chen Jianbo, Madam Hsu Feng, Mr Lu Yihao, Mr Tung Ming-Hsun, Mr Tong Albert, Mr Liang Jung-chi and Ms Hou Chun for discussing the service contract and remuneration package of the sole Director of the Company entitling to remuneration.

Remuneration paid to the Director of the Company is determined by reference to market terms, and her duties and responsibilities. In addition, the Company has adopted a share option scheme pursuant to which options are allowed for granting to, inter alia, the Directors of the Company to subscribe for shares in the capital of the Company.

Model Code for Securities Transactions by Directors

The Company has adopted its own code of practice for securities transactions by the Directors (the “Code of Practice”) on terms no less exacting than the 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, 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 Control

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 its own codes on internal control for itself and its subsidiaries in 2005. The Board has authorized the Audit Committee to review the effectiveness of the Group’s internal control system regularly and the Audit Committee held a meeting in 2005 to review the effectiveness of such system for the year ended 31st December, 2005 in accordance with the Group’s codes on internal control. The aforesaid review covered all material controls of the Group, including financial, operational and compliance

董事酬金

誠如上文所披露，本公司並沒有設立薪酬委員會。董事局在二零零五年曾舉行一次董事局會議，會上討論本公司唯一獲發酬金的董事的服務合約和酬金，大部份當時在任的董事均出席該會議，包括陳劍波先生、徐楓女士、陸怡皓先生、董明遜先生、湯子同先生、梁榮基先生和郝君女士。

向本公司董事支付的酬金乃按市場條款及其職務和所承擔的責任而釐定。此外，本公司採納了一項購股權計劃。據此，可向(其中包括)本公司董事授出購股權，以認購本公司股本中的股份。

董事進行證券交易的標準守則

本公司已就董事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」)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》及該交易守則內規定之標準。

問責和審核

內部監控

董事局負責確保本集團維持適當及有效的內部監控制度，以保障股東的投資和本集團資產。本公司於二零零五年為本公司及其附屬公司採納了其本身的內部監控守則。董事局已授權審核委員會定期檢討本集團之內部監控制度的有效性。審核委員會於二零零五年舉行了一次會議，根據本集團的內部監控守則檢討截至二零零五年十二月三十一日止年度該制度的有效性。以上的檢討工作涵蓋本集團所有重大的監控措施，包括財務、業務運作和合規的監控措施，以及風險管理工

controls and risk management functions. The Board, through the review of the Audit Committee, is satisfied that the Group has in principle complied with the provisions on internal control and considers the Group's internal control system has implemented effectively. The codes on internal control are reviewed and modified regularly pursuant to operational requirements of the Group.

Directors' and Auditors' Responsibilities for the Accounts

The Directors 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, 2005, the Directors have selected appropriate 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 financial statements of the Group for the year ended 31st December, 2005 is set out in the Report of the Auditors on pages 39 and 40.

Auditor's Remuneration

During the year, the fees paid to the Auditors for audit and non-audit services amounted to HK\$805,000 and HK\$35,000 respectively. The non-audit services provided by the Auditors during the year were taxation services.

作。經過審核委員會檢討後，董事局確信本集團已原則上符合內部監控條文之規定，並認為本集團的內部監控制度已有效實施。內部監控守則按本集團的業務運作需要定期檢討及修訂。

董事和核數師對賬目的責任

董事負責編製每個財務期間的財務報表，而該等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。在編製截至二零零五年十二月三十一日止年度的財務報表時，董事已貫徹採用合適的會計政策；已作出審慎和合理的判斷和估計；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二零零五年十二月三十一日止年度財務報表的意見載於第39及第40頁的核數師報告書中。

核數師的酬金

年度內，向核數師支付的審核和非審核服務費用分別為805,000港元和35,000港元。年度內由核數師提供的非審核服務乃稅務服務。