

The board of directors (the “Board”) of Kingboard Chemical Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) recognises the importance of corporate governance practice to a listed company that company operating in a transparent manner with various self-regulatory policies and procedures and monitoring mechanisms put in place and defining accountability of directors and management will improve and benefit the interest of the stakeholders and shareholders.

During the year under review, the Board has complied with the 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”) with certain deviations expressly highlighted in this Corporate Governance Report. In addition to the mandatory Code, the Board also observes certain recommended best practices (“Recommended Best Practices”) contained in Appendix 14 to the Listing Rules and has adopted certain Recommended Best Practices which are suitable to the Company’s current situation. The Board will continuously enhance the corporate governance standard of the Company by reference to the Recommended Best Practices whenever suitable and appropriate.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the “Model Code”). Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding directors’ securities transactions adopted by the Company.

建滔化工集團（「本公司」及其附屬公司（統稱（「本集團」））董事會（「董事會」）明瞭企業管治常規對上市公司之重要性。倘若公司之營運具透明度，設有各種自行規管政策與程序以及監控機制，並清楚界定董事與管理層權責，權益持有人及股東之權益定可進一步提升。

於回顧年度，董事會一直遵守香港聯合交易所有限公司證券上市規則（「上市規則」）附錄14所載之企業管治常規守則（「守則」）之條文，惟企業管治報告內明列之若干偏離行為除外。除強制性之守則外，董事會亦參考上市規則附錄14所載之建議最佳常規（「建議最佳常規」），並因應本公司現行情況採納若干合適的建議最佳常規。董事會將於合適及適當情況下採納其他建議最佳常規，從而不斷提升本公司之企業管治水平。

本公司已採納條款不寬鬆於上市規則附錄10所載規定標準（「標準守則」）之有關董事進行證券交易之操守守則。經向全體董事作出特定查詢後，全體董事確認，彼等一直遵守標準守則所載規定標準及本公司所採納有關董事進行證券交易之操守守則。

A. DIRECTORS

The Board

The Board is responsible for the leadership and control of the Group and is entrusted with the responsibility to supervise the management of the business and the affairs of the Group. The Group has adopted internal guidelines in setting forth matters that require Board's approval. Apart from its statutory responsibilities, the Board approves the Group's strategic plan, annual budget, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks.

The Board meets regularly and as warranted by particular circumstances. Notice and agenda are prepared by the Company Secretary as delegated by the Chairman of the Board and distributed to the Board members within reasonable time before the meeting. Relevant meeting papers are also sent to directors well before the meetings, informing them of the background and giving explanation on matters to be brought before the Board. All directors are given the opportunity to include matters in the agenda for regular Board meeting. To ensure the directors making decisions objectively in the interests of the Company, the Company's articles of association provide any director shall abstain from voting on any resolutions in which he or his associates is materially interested nor be counted in the quorum of the meeting. Draft and final versions of the minutes of Board meetings will be sent to all directors for their comment and records respectively within a reasonable time and kept by the Company Secretary.

A. 董事

董事會

董事會負責領導及監控本集團，同時亦授責監督本集團之業務及事務管理事宜。本集團已採納內部指引訂明需經董事會批准之事項。除法定責任外，董事會亦負責批准本集團之策略計劃、年度預算、主要營運措施、重大投資及集資決定。董事會同時審閱本集團財務表現、識別本集團業務之主要風險及確保實施適當措施以管理有關風險。

董事會定期及於特定情況所需時舉行會議。召開董事會會議通告及議程由公司秘書經董事會主席委派負責編製並於會議前合理時間內派發予董事會成員。相關會議文件亦會於開會前儘早送交董事會令彼等獲知將提呈董事會之事項之背景資料及說明。各董事可於董事會定期會議議程上加入事項提出討論。為確保董事所作之決策仍符合本公司之利益，本公司之組織章程細則規定，倘董事會會議上任何決議案涉及董事或其聯繫人的重大權益，有關董事必須放棄投票，且不得計入會議法定人數。董事會會議初稿及最終定稿將於合理時間內發送予全體董事，分別作表達意見及記錄之用，並由公司秘書存檔。

During the year under review, the Board had held four meetings and the directors' attendance at Board meetings and Board committees' meetings are as follows:-

於回顧年度內，董事會舉行了四次會議，董事於董事會會議及董事委員會會議之出席記錄如下：

		Board Meeting 董事會會議	Audit Committee Meeting 審核委員會會議	Nominating Committee Meeting 提名委員會會議	Remuneration Committee Meeting 薪酬委員會會議
Number of Meeting	會議數目	4	2	1	1
Executive directors	執行董事				
Cheung Kwok Wing (Chairman)	張國榮 (主席)	4	-	-	-
Chan Wing Kwan (Managing Director)	陳永鋌 (董事總經理)	4	2	1	1
Lam Ka Po	林家寶	4	-	-	-
Cheung Kwong Kwan	張廣軍	4	-	-	-
Cheung Kwok Wa	張國華	4	-	-	-
Cheung Kwok Ping	張國平	4	-	-	-
Cheung Kwok Keung	張國強	4	-	-	-
Chang Wing Yiu	鄭永耀	4	-	-	-
Mok Cham Hung, Chadwick	莫湛雄	4	2	1	1
Non-executive director	非執行董事				
Lum Gum Wun (resigned on 9 February 2006)	林根穩 (於二零零六年 二月九日辭任)	1	-	-	-
Independent non-executive directors	獨立非執行董事				
Cheng Ming Fun, Paul	鄭明訓	4	2	1	1
Tse Kam Hung	謝錦洪	4	2	1	1
Henry Tan (appointed on 20 September 2005)	陳亨利 (於二零零五年 九月二十日獲委任)	3	1	1	1
Tsao Kwang Yung, Peter (deceased on 5 June 2005)	曹廣榮 (於二零零五年 六月五日辭世)	-	-	-	-

The directors have observed the importance of directing and supervising the Company's affair at a more regular interval. After consulting all directors, Board meetings have been preliminarily scheduled to be held at quarterly interval and no less than four times this year.

彼等董事明瞭更頻密地定期領導及監管本公司事務之重要性。經徵詢全體董事後，董事會初步計劃本年度內董事會會議將每季度舉行及全年不少於四次。

Division and responsibilities

The Board of the Company is headed by the Chairman whose role differs from that of the Managing Director of the Company. The duties of Chairman include (but not limited to) the followings:-

- schedule meetings that enable the Board to perform its duties and responsibility and to ensure all key and appropriate issues are discussed by the Board in a timely manner without interfering the Company's operations;
- prepare meeting agenda after consultation with the Managing Director;
- exercise control over quality, quantity and timeliness of the flow of information between Management and the Board and to ensure decisions made by the directors are made on a fully informed basis; and
- assist in ensuring compliance with the Company's guidelines on corporate governance.

The Managing Director of the Company is separate from the Chairman and performed by a different individual. The Managing Director is mainly responsible for the overall strategic planning, and day-to-day management of the Group.

分工及職責

本公司董事會由主席領導，其職務有別於本公司董事總經理。主席職責包括但不限於：

- 安排會議以便董事會履行職責，並確保董事會及時討論所有重要及適當事宜，而不會干擾本公司之營運；
- 經與董事總經理磋商後編製會議議程；
- 控制管理層與董事會之間溝通質量及速度，確保董事於知情情況下作出決定；及
- 協助確保遵從本公司之企業管治指引。

本公司之董事總經理與主席職位分開並由不同人仕擔任。董事總經理主要負責整體策略規劃及本集團日常管理。

Board composition

The Board currently comprises twelve members, three of whom are independent non-executive directors who are expressly identified in all corporate communications that disclose the names of directors of the Company. The sole non-executive director during this year under review resigned on 9 February 2006. One of the independent non-executive directors possesses appropriate professional qualifications (or accounting or related financial management expertise) as required by the Listing Rules. The composition of the Board's members is as follows:-

Executive directors

Cheung Kwok Wing (*Chairman*)
Chan Wing Kwan (*Managing Director*)
Lam Ka Po
Cheung Kwong Kwan
Cheung Kwok Wa
Cheung Kwok Ping
Cheung Kwok Keung
Chang Wing Yiu
Mok Cham Hung, Chadwick

Non-executive director

Lum Gum Wun
(resigned on 9 February 2006)

Independent non-executive directors

Cheng Ming Fun, Paul
Tse Kam Hung
Henry Tan
(appointed on 20 September 2005)
Tsao Kwang Yung, Peter
(deceased on 5 June 2005)

Mr. Cheung Kwok Wing, Mr. Cheung Kwok Keung, Mr. Cheung Kwok Wa and Mr. Cheung Kwok Ping are brothers respectively, and cousins of Mr. Cheung Kwong Kwan and brothers-in-laws of Mr. Chang Wing Yiu.

The non-executive directors (including the independent non-executive directors) were not appointed for specific terms but are subject to retirement and are eligible for re-election.

董事會成員

董事會現由十二名成員組成，其中三名為獨立非執行董事，其彼等之獨立非執行董事身分均於所有載有董事姓名的公司通訊中明確說明。而於本回顧年度內唯一的非執行董事已於二零零六年二月九日辭任。其中一名獨立非執行董事具備上市規則規定之適當專業資格或會計或相關財務管理專業知識。董事會成員如下：

執行董事

張國榮 (主席)
陳永鋁 (董事總經理)
林家寶
張廣軍
張國華
張國平
張國強
鄭永耀
莫湛雄

非執行董事

林根穩
(於二零零六年二月九日辭任)

獨立非執行董事

鄭明訓
謝錦洪
陳亨利
(於二零零五年九月二十日獲委任)
曹廣榮先生
(於二零零五年六月五日辭世)

張國榮先生、張國強先生、張國華先生及張國平先生為兄弟，並為張廣軍先生之堂兄弟及鄭永耀先生之大舅。

非執行董事 (包括獨立非執行董事) 之委任並無指定任期，惟須退任及膺選連任。

The Board comprises directors who collectively provide core competencies, sales and marketing experience and technical knowledge in laminates, printed circuit boards and chemicals products, administration and management experience in the PRC factories, financial and accounting skill, as well as in-house advice to comply with international laws and regulations. The current Board size of twelve directors with a balance of skills and experience is appropriate for effective decision making, taking into account the nature and scope of the operations of the Company.

During the year under review, the number of independent non-executive directors of the Company once fell below the minimum number of three as required by the Listing Rules following the passing away of Mr. Tsao Kwang Yung, Peter on 5 June 2005. Mr. Tsao was the independent non-executive director of the Company. On 20 September 2005, the Company appointed Mr. Henry Tan as the new independent non-executive director of the Company. The Company has received from each of the independent non-executive directors an annual confirmation of his independence.

Appointment, re-election and removal

The Company's articles of association set out a formal, considered and transparent procedure for the appointment of new directors to the Board. Any director appointed by the Board shall retire and be eligible for re-appointment at the first general meeting (in the case of filling a casual vacancy) or until the next following annual general meeting (in the case of an addition to the Board) after appointment. The appointment of directors are not fixed for a specified term, but at every annual general meeting one-third of the directors, including the Chairman, shall be subject to retirement by rotation and re-election by shareholders. The directors appointed by the Board who are subject to retirement and re-appointment as mentioned above shall be taken into account in calculating the total number of directors for the time being but shall not be taken into account in calculating the number of directors who are to retire by rotation. All directors submitted for election and re-election shall have their biographical details made available to the shareholders to enable them to make an informed decision on their election. Any appointment, resignation, removal or re-designation of director shall be timely disclosed to the shareholders by announcement and shall include in such announcement, the reasons given by the director for his resignation.

董事會由多名董事組成，共同提供有關覆銅面板、印刷線路板及化工產品之核心能力、銷售及市場推廣經驗及技術知識、中國工廠之行政及管理經驗、財務及會計技巧以及國際法律及規例之內部顧問。董事會現有十二名成員，當中各備不同資歷及經驗，以配合本公司之業務範疇及規模，並有助優化董事會決策效率。

於回顧年度內，因本公司獨立非執行董事曹廣榮先生於二零零五年六月五日辭世，本公司之獨立非執行董事人數曾一度少於上市規則所規定之三名下限。於二零零五年九月二十日，本公司已委任陳亨利先生為本公司新獨立非執行董事。本公司已取得每名獨立非執行董事之年度獨立性確認書。

委任、重選及罷免

本公司之組織章程細則訂明一套正式、考慮周詳及具透明度之委任新董事程序。董事會委任之任何董事均須於獲委任後首個股東大會（倘為填補臨時空缺）或直至應屆股東週年大會（倘為董事會新增成員）退任並合資格膺選連任。董事之委任並無固定任期，惟於每屆股東週年大會，三分之一之董事（包括主席）均須輪值退任及由股東膺選連任。於計算當時董事總數時，將會計入須按上文所述由董事會委任而須輪值退任及膺選連任之董事，惟於計算將輪值退任董事人數時則不予計算。所有提名競選或重選之董事均須向股東披露個人履歷，以便股東於選舉時作出知情決定。任何董事委任、辭任、罷免或調任事宜均須以公佈形式及時向股東披露，並須在公佈中注明該董事辭任之理由。

Responsibilities of Directors

The Company and the Board require each director to keep abreast of his responsibilities as a director of the Company and of the conduct, business activities and development of the Company. Every director is required to devote sufficient time and involvement in the affairs of the Board and the material matters of the Company and to serve the Board with such degree of care and due diligence given his own expertise, qualification and professionalism.

Every newly appointed director shall receive a comprehensive, formal and tailored induction on the first occasion of his appointment. All directors shall be updated and briefed on continuing professional development as is necessary to ensure that they have a proper understanding of the operations and the business of the Company and that they are fully aware of their responsibilities under the applicable laws and regulations. The Board has a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expenses to enable and facilitate the directors to make well considered decisions. Appropriate insurance coverage for directors and officers' liability has been arranged against possibility of legal action to be taken against the directors and the management.

Supply of and access to information

The management of the Company has an obligation to furnish the Board with complete, adequate and appropriate information in such form and such quality in a timely manner so as to enable them to make an informed decision and to discharge their duties and responsibilities as directors of the Company. All the directors are given separate and independent access to the Company's senior management.

董事責任

本公司及董事會要求每名董事履行作為本公司董事之職責，以及不時了解本公司之經營方式、業務活動及發展。每名董事均須投入足夠時間及精神處理董事會事務及本公司重要事宜，並按照各自之專門知識、資歷及專業技能，以謹慎盡責之態度為董事會服務。

每名新委任董事於首次獲委任時均會獲得一份全面兼特為其而設的正式就任須知。全體董事於有需要時將參與持續專業發展計劃，以確保彼等清楚了解本公司之營運及業務，且充分明瞭彼等於適用法律及規定下之責任。董事會設立既定程序，由公司承擔費用協助董事於履行職務時，可個別或共同徵詢獨立專業顧問意見，以作出充份考慮的決定。本公司已就董事及管理層可能面對之法律行動風險而為董事及高級職員安排適當保險。

資料提供及使用

本公司管理層有責任及時向董事會提供完整、充足及適當形式和質量的資料，以便董事會作出知情決定及履行作為本公司董事之職務。全體董事均可個別及獨立接觸本公司高級管理人員。

All the directors are given separate and independent access to the Company Secretary, whose role includes ensuring that Board procedures are observed and followed, and that applicable rules and regulations are complied with. The Company Secretary attends all the meetings of the Board and Board committees and is responsible for drafting minutes and keeping minutes records which can be accessed by any director for inspection.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The level and make-up of remuneration and disclosure

The Board has set up a remuneration committee (“Remuneration Committee”) which comprises three independent non-executive directors, namely Mr. Tse Kam Hung (Chairman), Mr. Cheng Ming Fun, Paul and Mr. Henry Tan, to formulate policies and procedures for determining the remuneration of directors and senior management and other remuneration related matters. Remuneration Committee is set up with charters which set out clearly its duties and authorities delegated from the Board of directors, including the following specific duties:—

- formulate the framework or Board policy for the remuneration of the Company's Board and senior management. The objective of such policy shall be to ensure that members of the senior management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;
- recommend specific remuneration packages including, where appropriate, allowances, bonuses, benefits in kind, incentive payments, and share options, if any for each executive director and the Chief Executive Officer and such other members of senior management as it is designated to consider;

全體董事均可個別及獨立接觸公司秘書。公司秘書之職責包括確保貫徹遵循董事會程序，同時遵守適用規則及規例。公司秘書出席本公司董事會及董事委員會所有會議，負責編寫及存檔會議記錄，以供董事查閱。

B. 董事及高級管理人員薪酬

薪酬及披露的水平及組成

董事會已成立薪酬委員會（「薪酬委員會」），由三名獨立非執行董事：謝錦洪先生（主席）、鄭明訓先生及陳亨利先生組成，負責制定董事及高級管理人員薪酬之政策及程序以及其他薪酬相關事宜。薪酬委員會已訂立憲章，明確訂立董事會委派予其之職責及權力，包括下列特定職務：

- 制定本公司董事會及高級管理人員之薪酬架構或董事會政策。該等政策旨在確保本公司高級管理人員獲提供適當獎勵，以鼓勵彼等提升表現，並保證本公司以公平負責方式獎勵高級管理人員對本公司成就所作之貢獻；
- 就每名執行董事、行政總裁及其他指定高級管理人員，建議特定薪酬待遇，包括（如適用）津貼、花紅、實物利益、獎金及優先購股權（如有）；

- recommend targets for any performance-linked pay schemes operated by the Company, taking into account remuneration and employment conditions within the industry and in comparable companies; and
 - recommend to the Board the remuneration of non-executive directors, taking into account factors such as effort, time spent and responsibilities.
- 按照業內及同類型公司之薪酬水平及就業狀況，為本公司任何與表現掛鈎的獎勵計劃建議訂立目標；及
 - 參考非執行董事所付出之時間、精力及職責，就彼等之薪酬向董事提出建議。

When recommending the remuneration package for each individual director, the Remuneration Committee will consider his qualification and experience, specific duties and responsibilities assigned to him by the Board and the prevailing market packages available for similar position. The emolument of the directors on a named basis for the year under review is set out on page 103 in note 13 to the financial statement. Review and comparison in terms of directors' emolument package and net profits of the Group are made from time to time with comparable listed industrial companies with similar capitalization to the Group. Considering all such factors, the Remuneration Committee would make recommendation on the remuneration package for each director after consultation with the Chairman.

薪酬委員會為個別董事建議薪酬待遇時，將考慮彼之資格及經驗、董事指派予彼之特定職責以及市場現行給予同類職位之待遇。於回顧年內，每名董事之酬金詳列於第103頁財務報表附註十三。本公司不時就董事薪酬待遇及集團純利狀況，與本集團市值相若之上市工業公司進行檢討及比較。考慮上述因素後，薪酬委員會就每名董事之薪酬待遇經諮詢主席意見後將提出建議。

C. ACCOUNTABILITY AND AUDIT

Financial reporting

The Board acknowledges that it is the joint and several responsibilities of directors to prepare the Company's account. The Company deploys appropriate and sufficient resources to prepare unaudited half-yearly account and audited yearly account. Senior Management is required to present and explain the financial reporting and matters that materially affect or may have material impact on the financial performance and operations of the Company to the Audit Committee and the Board and respond to the queries and concerns raised by the Audit Committee and the Board to their satisfaction. It is the responsibility of the Company's auditors to form an independent opinion, based on its audit, on those financial statements and to report to the Board.

C. 問責及核數

財務匯報

董事確認編製本公司賬目乃董事之共同及個別責任。本公司調配合適及足夠的資源編製未經審核半年度賬目及經審核年度賬目。高級管理層須向審核委員會及董事會呈報及闡釋對本公司財務表現及營運有或可能有重大影響之財務匯報及事宜，並就審核委員會及董事會提出之查詢及關注作出令彼等信納之回應。本公司核數師有責任根據對本公司財務報表所作之審計發表獨立意見，並向董事會報告。

Internal controls

The Group has in place a system of internal controls, the key elements of which are as follows:–

- formal policies and procedures are in place, including the documentation of key processes, procedures and rules relating to the delegation of authorities. These allow the monitoring of controls and restrict the unauthorized use of the Group assets;
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- monthly business and financial reports are prepared, providing relevant, timely, reliable and up-to-date financial and other information; budget variances are investigated as appropriate; and
- an internal audit function, which reports directly to the Audit Committee, is in place to determine whether the above procedures are properly carried out.

The Board conducts a review on the effectiveness of the above internal control systems including financial, operational and compliance controls and risk managements at least once a year, so as to ensure the shareholders' investment and the Company's assets are properly safeguarded. The Board is satisfied that, based on the information supplied, coupled with its own observations and with the assistance of the Audit Committee, the present internal controls and risk management processes are satisfactory for the nature and size of the Group's operations and business.

內部監控

本集團已設立內部監控制度，其主要要點如下：

- 正式政策及程序，包括有關授權之主要過程、程序及規則。上述措施令本集團得以監控及防止未經授權而挪用本集團資產；
- 由具備經驗及合適資格之員工擔任重要業務職責。本集團已設立每年評審程序，以維持表現水準；
- 編製每月業務及財務報告，提供相關、適時、可靠及最新財務及其他資料，並於適當時調查預算偏差；及
- 設立內部核數職能，直接向審核委員會匯報，以確定上述程序已適當執行。

董事會每年至少檢討一次上述內部監控制度之效能，包括財務、營運及規章監控及風險管理功能，以確保妥善保障股東的投資及本公司資產。董事會根據獲提供之資料，連同其本身觀察及在審核委員會協助下，信納就本集團營運及業務之性質及規模而言，現行內部監控及風險管理程序達滿意水平。

In addition to the various internal control systems, the Board has established an internal audit team that reports directly to the Audit Committee. The internal audit team will independently audit various functions, operations and systems existing in the Company according to their weight of significance to the Company as well as the priority list recommended by the Audit Committee. The internal audit team will prepare an internal audit report highlighting the existing deficiencies and weaknesses in audited functions, operations and systems for discussion by the Audit Committee and the Board, and based on these findings the Board shall instruct senior management to take appropriate corrective and improvement actions.

Audit Committee

The Board has established an Audit Committee with specific charter setting out duties responsibilities and authorities delegated to them by the Board of directors. The major duties and responsibilities of the Audit Committee include the following:—

- review with the external auditors, the audit plan;
- review with the external auditors, their evaluation of the system of internal accounting controls;
- review the scope and results of the internal audit procedures;
- review the balance sheet and profit and loss account of the Company and the consolidated balance sheet and profit and loss account and submit them to the Board;
- nominate persons as auditors;
- review with the internal and external auditors their findings on their evaluation of the Company's system of internal controls for the purpose of assisting the Board in developing policies that would enhance the controls and operating systems of the Company; and

除各項內部監控制度外，董事會已設立內部核數隊伍，直接向審核委員會匯報。內部核數隊伍將會按照本公司現存各項職能、運作及系統之重要性，以及審核委員會建議之優先次序，獨立審核該等職能、運作及系統。內部核數隊伍將會編製內部核數報告，指出經審核職能、運作及系統現時之漏洞及缺點，以供審核委員會及董事會討論，而董事會將根據該等核數結果指示高級管理層採取適當糾正及改善措施。

審核委員會

董事會已設立審核委員會，並訂立明確憲章載列董事會委派予其之職責及權力。審核委員會之職責包括下列各項：—

- 與外聘核數師審閱核數計劃；
- 與外聘核數師檢討彼等對內部會計監控制度之評審；
- 檢討內部核數程序之範圍及成效；
- 審閱本公司之資產負債表及損益表以及綜合資產負債表及損益表，並呈交董事會；
- 提名核數師之委任；
- 與內部及外聘核數師檢討彼等對內部會計監控制度之評審所得結果，以協助董事會制訂有助提升本公司監控及運作制度之政策；及

- review connected transactions and examine the adequacy of internal controls of the Group as part of the standard procedures.

The duties of the Audit Committee include reviewing the scope and results of the audit and its cost effectiveness and the independence and objectivity of the Company's auditors, Deloitte Touche Tohmatsu. The Audit Committee will review the independence of the Company's auditors, the resources and adequacy of the internal audit function, at least once a year. Where the auditors also supply non-audit services to the Company, the Committee will keep the nature and extent of such services under review, seeking to balance between the maintenance of objectivity and value for money. During the financial year ended 31 December 2005, the fees paid/payable to the Company's auditors in respect of audit and non-audit services provided by the Company's auditors to the Group were as follows:-

Nature of services	服務性質	<i>Amount (HK\$)</i> 金額 (港元)
Audit services	核數服務	5,000,000
Non-audit services	非核數服務	
(i) Tax services	(i) 稅務服務	1,456,800
(ii) Other services	(ii) 其他服務	360,840

The Audit Committee had undertaken a review of all the non-audited services provided by the Company's auditors and concluded that in their opinion such services did not affect the independence of the auditors.

- 作為正常程序之一部分，審閱關連交易及審查本集團內部監控是否足夠。

審核委員會之職責包括檢討核數之範疇、結果以及成本效益，以及本公司外聘核數師—德勤•關黃陳方會計師行之獨立性及客觀性。審核委員會每年至少一次檢討本公司外聘核數師之獨立性、內部核數職能有否足夠資源及稱職。倘若核數師向本公司提供非核數服務，委員會亦會檢討該等服務之性質及所涉範圍，務求在保持客觀性及成本之間取得平衡。於截至二零零五年十二月三十一日止財政年度，就本公司外聘核數師向本集團提供之核數及非核數服務所涉及之已付/應付費用如下：

審核委員會已檢討本公司外聘核數師所提供之全部非核數服務，並認為該等服務並不影響核數師之獨立性。

The Board has appointed an accountant to be responsible for the accounting and finance matters of the Group and the Audit Committee has free access to the accountant, senior management of the Group and to any financial and relevant information which enable them to discharge their audit committee function effectively and efficiently. Besides internal assistance being available, the Audit Committee may request for assistance and advice from external auditors as and when they think necessary at the expenses of the Company. The Audit Committee shall meet with external auditors without the presence of executive directors to discuss the Group's financial reporting and any major and financial matters arising during the year under review at least once a year.

In addition, the Audit Committee is authorized:—

- to investigate any matter within its terms of charter;
- to have full access to and co-operation by the management;
- to have full discretion to invite any director or executive officer to attend its meetings; and
- to have reasonable resources to enable it to discharge its functions properly.

The Board will ensure that the members of the Audit Committee are appropriately qualified to discharge their responsibilities and at least one member has accounting and related financial management expertise or experience. During the year under review, the Audit Committee comprised two members only for the period from 5 June 2005 to 19 September 2005 which fell below the prescribed minimum members requirements due to the passing away of one Audit Committee member. Following the appointment of new Audit Committee member on 20 September 2005, the Audit Committee comprises three independent non-executive directors, namely Mr. Cheng Ming Fun, Paul (Chairman), Mr. Tse Kam Hung and Mr. Henry Tan.

董事會已內部委任一名會計師負責本集團會計及財務事宜，而審核委員會有權隨時接觸本集團會計師及高級管理層，以及索取任何財務及相關資料，以便能夠有效地履行其作為審核委員會之職責。除獲得內部協助外，審核委員會亦可於彼等認為有需要時由公司承擔費用要求外聘核數師提供協助及建議。審核委員會每年至少一次在執行董事不在場之情況下與外聘核數師會面，以討論本集團之財務申報及回顧年度內出現之任何重大及財務事宜。

此外，審核委員會獲授權：

- 在其憲章職權範圍內調查任何事宜；
- 與管理層全面接觸及獲其衷誠合作；
- 全權酌情邀請任何董事或行政總裁出席其會議；及
- 獲得合理資源讓其能夠適當地履行職責。

董事會將確保審核委員會成員具備合適資格履行職務，及至少一名成員具備會計及相關財務管理專業知識或經驗。於回顧年度內，由於其中一名審核委員會成員辭世，於二零零五年六月五日至二零零五年九月十九日期間，審核委員會只有兩名成員，低於最低成員人數規定。於二零零五年九月二十日新審核委員會成員被委任後，審核委員會由三名獨立非執行董事：鄭明訓先生（主席）、謝錦洪先生及陳亨利先生組成。

D. DELEGATION BY THE BOARD

Management function

The Company's articles of association set out matters which are specifically reserved to the Board for its decision. Executive directors normally meet on an informal basis every two weeks and participate in senior management meetings on a regular basis to keep abreast of the latest operations and performance of the Group and to monitor and ensure the management carry out the directions and strategies set by the Board of directors correctly and appropriately. Clear instructions are given to the management as to the matters which should bring to the attention and be determined by the Board on behalf of the Company.

Board committees

The Board has set up three Board committees, namely Audit Committee, Nominating Committee and Remuneration Committee, each chaired by different independent non-executive director, to assist the Board in discharging functions specific to each committee. Each Board committee has its own terms of charter setting out the principles, procedures and arrangements which are substantially the same as those for the Board.

The Nominating Committee comprises three members who are independent non-executive directors, namely Mr. Henry Tan (Chairman), Mr. Cheng Ming Fun, Paul, and Mr. Tse Kam Hung. According to the terms of charter of the Nominating Committee, the major responsibilities of the Nominating Committee include:—

- regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- review whether or not an independent non-executive director is independent in accordance with the Listing Rules on annual basis;
- be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise;

D. 董事會權力的轉授

管理功能

本公司之組織章程細則載列指定交由董事會決策之事宜。執行董事通常每兩週進行非正式會議，並定期參與高級管理層會議，以不時了解本集團最新運作及表現，以及監控及確保管理層正確合適地推行董事會所作出之指示及策略。管理層已獲發清晰指引有關任何必須提呈董事會及交由董事會代表本公司作出決定之事項。

董事委員會

董事會已設立三個委員會，分別為審核委員會、提名委員會及薪酬委員會，分別由不同獨立非執行董事出任主席，以協助董事會履行各委員會被其委派之特定職能。各董事委員會均訂立其特定之憲章條文，所載列之原則、程序及安排均與董事會之憲章條文大致相同。

提名委員會由三名獨立非執行董事：陳亨利先生（主席）、鄭明訓先生及謝錦洪先生組成。根據提名委員會憲章所訂，提名委員會之主要職責包括：

- 定期就董事會之架構、人數及組成作出檢討，並就任何認為需作出的調整向董事會提供推薦建議；
- 每年檢討獨立非執行董事是否屬上市規則所界定之獨立人士；
- 負責物色及提名人選，以取得董事會批准填補董事會空缺；

- assess the effectiveness of the Board as a whole and the contribution by each individual director to the effectiveness of the Board; and
 - be responsible for re-nomination having regard to the director's contribution and performance, including, if applicable, as an independent director.
- 評估董事會整體成效及各董事對董事會效能之貢獻；及
 - 負責就董事之貢獻及表現重新提名其（視情況而定）為獨立董事。

Pursuant to the Company's articles of association, Mr. Henry Tan, who was appointed as an independent non-executive director by the Board on 20 September 2005, shall retire at the forthcoming general meeting, and Messrs. Cheung Kwok Wing, Chan Wing Kwan, Cheung Kwok Ping, Cheung Kwok Keung and Chang Wing Yiu shall be subject to retirement by rotation at the forthcoming annual general meeting. The Nominating Committee had convened a meeting for the nomination of directors for appointment in the forthcoming annual general meeting and had nominated the above-named directors to stand for re-election appointment at the forthcoming general meeting.


E. COMMUNICATION WITH SHAREHOLDERS

The Board endeavours to maintain an on-going dialogue with shareholders. All directors are encouraged to attend the general meetings to have personal communication with shareholders. In annual general meeting, Chairman of the Board and the chairman of each committee are required to attend and answer questions from shareholders in respect of the matters that they are responsible and accountable for. The external auditors are also required to be present to assist the directors in addressing any relevant queries by shareholders. As a free access channel, the Company has set up public relation website that shareholders and public are welcome to question and share their comments and opinions with the Board of directors.

根據本公司之公司組織章程，陳亨利先生於二零零五年九月二十日獲董事會委任為獨立非執行董事，其將於應屆股東大會退任。張國榮先生、陳永錕先生、張國平先生、張國強先生及鄭永耀先生須於應屆股東大會輪值退任。提名委員會已召開會議，以提名將於應屆股東週年大會委任之董事，並已提名上述董事於應屆股東週年大會膺選連任。

E. 與股東的溝通

董事會致力與股東持續保持對話。本集團鼓勵全體董事出席股東大會並與股東進行個人溝通。董事會主席及各委員會主席均須出席股東週年大會，並回應股東就彼等負責之事宜所作出之提問。外聘核數師亦須出席股東週年大會以協助董事回應股東任何有關提問。此外，本公司亦提供自由溝通渠道，設立公共關係網站，歡迎股東及公眾提問，以及向董事會提出評論及意見。



The Company's annual general meeting ("AGM") and extraordinary general meeting ("EGM") provide good opportunities for shareholders to air their views and ask directors and management questions regarding the Company. All shareholders of the Company receive the annual report, circular and notice of AGM and EGM and other corporate communications. The notice is also advertised in the newspapers. Separate resolutions are required at general meetings on each distinct issue. Shareholder is permitted to appoint one or two proxies to attend and vote in his stead.

Voting by poll

At the last annual general meeting held on 18 May 2005, special resolution was passed by the shareholders of the Company to amend the Company's articles to the effect, inter alia, that the Chairman shall demand a poll in the Company's general meetings whenever voting by poll is required under the Listing Rules, to be in consistence with the recent amendments made to the Listing Rules. The Company's articles has set out the procedures, requirements and circumstances where voting by poll is required and in corporate communications to shareholders for matters where shareholders' voting are required the procedures for and shareholders' right to demand a poll shall be specified. Such procedure and shareholders' right would be reiterated and explained by the Chairman at the commencement of the general meeting of shareholders.

藉本公司股東週年大會及股東特別大會，股東可表達彼等對本公司之意見及向董事及管理層提問。本公司全體股東均獲寄發年報、通函、股東週年大會及股東特別大會通告以及其他公司通訊。通告亦會於報章刊登。本公司須就各項不同事項於股東大會上個別提呈決議案。股東可委派一名或兩名代表出席大會及代其投票。

以投票方式表決

於二零零五年五月十八日舉行之上屆股東週年大會，本公司股東通過特別決議案修訂本公司之組織章程細則，以符合上市規則之近期修訂，其中包括按上市規則規定須以投票方式表決之情況下，主席須於本公司股東大會上要求以投票方式表決。本公司之組織章程細則已載列須以投票方式表決之程序、規定及情況，以及於致股東之公司通訊載列股東以投票方式表決之程序及股東要求投票方式表決之權利。於股東大會開始時主席亦會重申及闡釋該等程序及股東權利。