

CORPORATE GOVERNANCE REPORT

The Group recognises the importance of transparency and accountability to shareholders. The Board will continually review and enhance its corporate governance practices to ensure that they meet shareholders' expectation and comply with relevant standards.

The Company has complied with the Code on Corporate Governance Practices ("CG Code") as set out in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the financial year ended 31 December 2005.

THE BOARD OF DIRECTORS

The Board is responsible for determining the overall strategic direction, the objectives of management and overseeing significant operational and financial matters of the Group. It monitors management's performance and ensures that a framework of effective controls is in place to enable risks to be assessed and managed.

The Board is comprised of four Executive Directors ("ED"), three Non-executive Directors ("NED") and three Independent Non-executive Directors ("INED"). The directors are listed in the following table, along with their participation in the three committees. The entries are in the format "number of meetings the director attended/total number of meetings held during 2005", or "—" where the director is not a member.

Directors 董事		Full Board 董事會	Audit Committee 審核委員會	Remuneration Committee 薪酬委員會	Nomination Committee 提名委員會
Executive Directors:	執行董事：				
Dr. CHOW Kwen Lim <i>Chairman</i>	周君廉博士 主席	4/4	—	—	—
Mr. Vincent CHOW Wing Shing <i>Group General Manager</i>	周永成先生 集團總經理	4/4	—	—	—
Dr. Gerald CHOW King Sing	周敬成醫生	4/4	—	—	N/A 不適用
Mr. Winston CHOW Wun Sing <i>Group Deputy General Manager</i>	周允成先生 集團副總經理	4/4	—	—	—
Non-executive Directors:	非執行董事：				
Mr. CHOW Kwen Ling <i>Honorary Chairman</i>	周君令先生 名譽董事長	4/4	—	—	—
Mr. Stephen TING Leung Huel	丁良輝先生	4/4	2/2	1/1	—
Mr. CHUNG Pui Lam	鍾沛林先生	4/4	2/2	1/1	N/A 不適用
Independent Non-executive Directors:	獨立非執行董事：				
Mr. LEE Ka Lun*	李家麟先生*	4/4	2/2	1/1	N/A 不適用
Dr. CHAN Bing Fun	陳炳勳醫生	4/4	2/2	1/1	N/A 不適用
Mr. LO King Man	盧景文先生	4/4	2/2	1/1	N/A 不適用
Average attendance rate	平均出席率	100%	100%	100%	N/A 不適用
Date of meetings	會議日期	25/01/2005 23/03/2005 28/06/2005 31/08/2005	22/03/2005 29/08/2005	19/08/2005	N/A 不適用

* Mr. LEE Ka Lun is the chairman of the three Committees

企業管治報告

本集團一向確認透明度及問責對股東之重要性。董事會將繼續檢討及提升其企業管治常規，以確保彼等符合股東之期望及遵守有關標準。

截至2005年12月31日止財政年度內，本公司已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（「企業管治守則」）。

董事會

董事會負責釐定集團整體策略性方向、管理層目標及監督集團之重大經營及財務事宜；並監察管理層人員之表現，確保具備有效之管控架構，使風險得以評估及管理。

董事會由四名執行董事、三名非執行董事及三名獨立非執行董事組成。董事名單及其參與三個委員會之詳情已載於下表，以「該董事出席會議之次數／於2005年內舉行之會議總數」之形式列示，或倘董事並非成員，則以「—」之形式表示。

* 李家麟先生為三個委員會主席

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS (continued)

Several directors have family relationships to each other, the details of which can be found on pages 5 to 8 of this annual report, as are the biographical sketches of all the directors. None of the directors has other material financial, business or relevant relationships with each other.

The Company has received from each INED an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and still considers them to be independent.

Roles of Chairman and Group General Manager

The Board is led by the Chairman who has executive responsibilities, and the management by the Group General Manager. The roles of the Chairman and the Group General Manager are separate and their respective responsibilities are clearly set out in writing. The Chairman ensures that the Board functions properly, with good corporate governance practices and procedures, and the Group General Manager is responsible for managing the Group's business and monitoring the day-to-day operations.

Nomination Committee

The Board has set up a Nomination Committee on 17 June 2005 in accordance with the recommended best practices under the CG Code of the Listing Rules. The Committee is chaired by an INED and its majority members are INEDs.

The Committee's responsibility is making periodic review of the constituency of the Board, the procedures and criteria for the appointment of directors, and to make recommendations to the Board when necessary. When there is a nomination to directorship, the Committee will evaluate the balance of skills, knowledge and experience on the Board and, in the light of this identifies the role and capabilities required for a particular appointment. No meeting was held in 2005.

Retirement by Rotation of Directors

Pursuant to the Company's Bye-laws, any director appointed by the Board as an additional director or to fill a casual vacancy shall hold office only until the next annual general meeting ("AGM"), but is eligible for re-appointment by the shareholders. In addition, all directors are subject to re-election by shareholders at the AGM at least once every three years on a rotation basis. All NEDs and INEDs are appointed for specific terms of not more than three years.

Details of those directors who are retiring by rotation and seeking re-election at the forthcoming AGM are set out in the shareholders' circular dated 20 April 2006.

企業管治報告

董事會 (續)

若干董事之間擁有親屬關係，其詳情及全體董事之簡歷載於本年報第5頁至第8頁。董事之間概無其他重大財務、業務或相關關係。

每位獨立非執行董事已根據上市規則第3.13條所列條件確定其獨立性，而董事會亦確認彼等之獨立地位。

主席及集團總經理之角色

董事會由擁有執行職責之主席領導，而日常管理則由集團總經理領導。主席與集團總經理之角色分開，彼等各自之職責亦以書面明確載列。主席確保董事會依照良好企業管治常規及程序妥善地行使職能，而集團總經理則負責管理集團業務及監察日常運作。

提名委員會

董事會已於2005年6月17日根據上市規則企業管治守則之建議最佳常規成立提名委員會。委員會由獨立非執行董事出任主席，其大部分成員為獨立非執行董事。

委員會負責對董事會之組成以及委任董事之程序及準則作出定期檢討，並於需要時向董事會作出建議。當有委任董事之提名，委員會將評估董事會在各方面的技能、知識及經驗，藉此衡量個別委任所需之角色及才能。於2005年，委員會並無舉行任何會議。

董事輪席告退

根據本公司之附例，任何獲董事會委任為新增董事或委任以填補臨時空缺之董事之任期僅直至下屆股東週年大會為止，惟彼可由股東再度委任。此外，所有董事均須最少每隔三年於股東週年大會上輪席告退，並由股東重選。所有非執行董事及獨立非執行董事之任期均不超過三年。

將於應屆股東週年大會上輪席告退並尋求重選之有關董事詳情，載於2006年4月20日刊發之股東通函內。

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS (continued)

Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding directors' securities transactions. Upon specific enquiries, all directors confirmed their compliance with the required standard as set out in the Model Code. The directors' interests in shares of the Company as at 31 December 2005 are detailed on page 23 of this annual report.

Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written internal guidelines on no less exacting terms than the Model Code.

Management Support

The Company has prepared and provided to each of the directors a Directors' Manual, with details of the statutory obligations, duties and responsibilities for being a director and terms of reference of the various board committees. The Directors' Manual is updated from time to time to reflect developments in those areas.

The directors are provided with comprehensive board papers and materials within a reasonable period in advance for board meetings. Reports on the Group's business developments, financial highlights and compliance matters are provided to the directors quarterly to keep them well-informed. The directors have free access to management for additional information, as and when required.

Directors' liability insurance

The Company has arranged liability insurance to indemnify the directors from their risk exposure arising from performing their duties in connection with the businesses of the Group. The insurance coverage is reviewed periodically.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

The Remuneration Committee was established on 25 January 2005 in accordance with the code provisions under the CG Code of the Listing Rules, with defined terms of reference. The Committee is chaired by an INED and its majority members are INEDs.

企業管治報告

董事會 (續)

證券交易

本公司已採納上市規則附錄10所載，有關董事進行證券交易的標準守則（「標準守則」），作為本公司董事進行證券交易之行為守則。經作出具體查詢後，全體董事確認彼等均遵守標準守則所載之規定標準。於2005年12月31日，董事持有本公司股份權益之詳情載於本年報第23頁。

有關員工可能擁有本集團尚未公布之價格敏感資料，亦需遵守一套內部指引，其內容不比標準守則寬鬆。

管理人員支援

本公司已編製並向各董事提供董事手冊，當中載有作為董事之法定責任、職務及職責詳情，亦載有各董事會委員會之權限範圍。董事手冊會不時更新，以反映有關方面之發展。

於董事會會議舉行前之合理時間內，董事將獲提供詳盡之董事會文件及資料。有關集團業務發展、財務摘要及法規遵守事宜之報告，於每季度向董事提供，以使彼等獲提供充分之資料。董事可隨時接觸管理人員，以在有需要時取得額外資料。

董事責任保險

本公司已為董事購買責任保險，為彼等因履行其有關本集團業務之職務而面對之風險提供賠償保障。承保範圍經定期審閱。

董事及高級管理人員之薪酬

薪酬委員會

根據上市規則企業管治守則之守則條文，薪酬委員會於2005年1月25日成立，有明確的權限範圍。委員會由獨立非執行董事出任主席，其大部分成員為獨立非執行董事。

CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Remuneration Committee (continued)

The remuneration policies and packages for all directors, as well as senior members of management, are under the purview of the Committee and it makes recommendations to the Board for their final approval. Directors do not determine their own individual remuneration.

The remuneration of directors currently consists of a basic annual fee with additional payments for serving on committees. EDs receive in addition executive pay by virtue of their positions in management.

Executive remuneration is performance and merit based. It is the Group's policy to recruit talents at competitive salary levels. The principal elements of the staff pay package comprise salary, housing allowances, discretionary bonus and MPF contribution as well as benefits such as medical insurance and educational allowances. Executive and staff remuneration is reviewed annually by the Group General Manager in conjunction with other senior members of management, who then hands the report to the Committee, along with the recommendation for bonus awards, if any. Currently, there are no profit-sharing schemes or stock-option plans in place.

Details of the directors' remuneration are included in note 8 to the financial statements as set out on pages 83 to 86 of this annual report.

ACCOUNTABILITY AND AUDIT

Directors' Responsibility in Financial Reporting

The directors acknowledge their responsibility for preparing the financial statements of the Group. In preparing the financial statements of the Company and the Group, in order to give a true and fair view of the status of the Group, the Board has adhered to generally accepted accounting principles in Hong Kong, while applying consistently appropriate accounting policies and making reasoned judgements and estimates.

External Auditors

The Group's principal independent external auditors are Ernst & Young. The statement about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on page 37 of this annual report.

企業管治報告

董事及高級管理人員之薪酬(續)

薪酬委員會(續)

釐定全體董事及高級管理人員之薪酬政策及待遇由委員會負責，委員會會向董事會提供建議以供彼等作最終批核。董事不可釐定其個人薪酬。

目前，董事薪酬組合包括基本年度袍金及出任委員會之額外酬金。執行董事會按彼等之職位獲取額外管理人員薪酬。

釐定管理人員薪酬以表現及功績為基礎。本集團政策乃以具競爭力之薪酬水平招攬人才。員工薪酬待遇主要包括薪金、房屋津貼、酌情花紅及強積金供款，以及醫療保險及教育津貼等福利。管理人員及員工薪酬由集團總經理與其他高級管理人員每年檢討，彼等隨後將報告連同花紅獎勵(如有)建議呈交委員會。目前，集團概無溢利分攤計劃或購股權計劃。

董事之酬金詳情載於本年報第83頁至第86頁之財務報告附註8。

問責及審核

董事對財務報告之責任

董事確認彼等於編製本集團財務報告之責任。於編製本公司及本集團之財務報告時，董事會已採用香港普遍採納之會計原則，貫徹使用適當之會計政策及作出合理判斷及估計，藉以真實及公平地反映集團之狀況。

集團核數師

本集團之主要獨立核數師為安永會計師事務所。有關彼等對本集團財務報告之責任聲明載於本年報第37頁之核數師報告內。

CORPORATE GOVERNANCE REPORT

企業管治報告

ACCOUNTABILITY AND AUDIT (continued)

External Auditors (continued)

The Board is satisfied with Ernst & Young in respect of the audit fees they charged, the process and its effectiveness of the audit and has resolved to recommend their reappointment as the Company's external auditors at the forthcoming AGM.

During the financial year, the services provided by, and the associated remuneration paid to, Ernst & Young were as follows:

Audit	審計
Taxation	稅務
Others	其他

HK\$'000
千港元

1,780
225
79

2,084

Audit Committee

Since 1999 the Board has had an Audit Committee in place, consisting of a majority of INEDs with EDs in attendance. All of its existing members possess appropriate professional qualifications, accounting or management expertise as required under the Listing Rules.

The Committee's role is to consider the appointment of external auditors with the associated fees on audit and non-audit services, review the financial reporting, internal controls, corporate governance issues and the work done by internal auditors, and make appropriate recommendations to the Board.

The Committee met two times during the year and has reviewed with senior management and the external auditors the audit findings, and discussed the statutory compliance, internal controls and financial reporting matters, as well as the annual report 2004 and interim report 2005.

Internal Control

The Board, through the Audit Committee, is responsible for ensuring that adequate internal controls are in place to safeguard the Company's assets and manage risks. The Board has delegated to executive management the implementation of the internal control policies. Management is responsible for identifying and evaluating the risks faced by the Group and for designing, operating and monitoring an effective internal control system which implements the policies adopted by the Board.

問責及審核(續)

集團核數師(續)

董事會信納安永會計師事務所有關其所收取之核數費用、審計過程及其有效性，並議決建議於應屆股東週年大會上續聘其出任本公司之核數師。

於本財政年度內，安永會計師事務所提供之服務及向其支付之相關酬金如下：

審核委員會

自1999年起，董事會已成立審核委員會，委員會大部分成員為獨立非執行董事，而執行董事則列席會議。其現任成員均具備上市規則所規定之合適專業資格、會計或管理專長。

審核委員會之角色為考慮集團核數師之委任連同相關審計及非審計服務之費用、審閱財務報告、內部管控、企業管治事宜及內部稽核員所進行之工作，並向董事會提供適當建議。

委員會於年內舉行兩次會議，亦已與高級管理人員及集團核數師審閱審計結果，並討論法規遵守、內部管控及財務報告事宜，以及審閱2004年度財務報告及2005年中期報告。

內部管控

董事會透過審核委員會負責確保公司有足夠內部管控，以保障公司資產及管理風險。董事會已授權管理人員推行內部管控政策。管理人員負責識別及評估本集團面對之風險，並設計、推行及監察一個能符合董事會所採納政策之有效內部管控系統。

ACCOUNTABILITY AND AUDIT (continued)

Internal Control (continued)

The Group's internal control system is designed with aims of providing reasonable, but not absolute, assurance against material misstatement or loss and managing rather than eliminating risks of failure in operational systems and achievement of the Group's objectives. The following are brief descriptions on the internal control system currently in place within the Group:

- the jewellery business safeguards goods and inventories by an established control policy which requires that all in- and out-records are reconciled with accounting records, inventory records and source documents, and cross-checked by regular and spot physical stock-takes.
- to ensure true and accurate trading records, posting of entries is automated from the points of sales with little or no manual intervention. Preservation of original documents is regulated by strict policy and checked by Internal Audit Department. The automation of information channels in Hong Kong, Mainland China and Taiwan are operating in full.
- the Group's Stock and Commodities Brokerage has a rigorous internal control system with regard to the integrity of trading practices, safekeeping of customer assets, and credit control.
- the Group controls funding for all its operations through the corporate treasury based in Hong Kong. The corporate treasury also manages the Group's gold and foreign exchange holdings, thus affording a central view of liquidity and fund levels.
- information gathered and collated by the Group's various departments is presented at weekly and monthly management meetings, at which variances, deficiencies and anomalies are noted and corrected.
- to safeguard confidentiality, information access is managed on a need-to-know basis. Use of computers, especially access to the Internet and e-mail systems, is similarly regulated with a view towards security.

問責及審核(續)

內部管控(續)

本集團之內部管控系統之設計旨在為重大誤報或損失提供合理而非絕對之保證，並管理而非消除運作系統失靈或無法達成本集團目標之風險。以下為本集團現有內部管控系統之概述：

- 珠寶業務透過建立一套管控政策，規定入貨及出貨記錄須與會計記錄、存貨記錄及原始憑證一致，並定期進行實地存貨盤點作相互檢查，藉此保障貨品與存貨之安全。
- 為確保交易記錄真確無誤，交易資料乃由銷售點以自動化系統輸入，極少或甚至不經人手干預。單據正本之保存受嚴格政策規管，並由內部稽核部查核。於香港、內地及台灣之自動化資訊渠道均已全面運作。
- 本集團之股票及期貨經紀業務設有一套嚴格內部管控制度，包括交易的完整性、妥善保管客戶資產及信貸控制方面。
- 本集團透過香港總公司財政部控制所有營運資金，以及管理本集團持有之黃金及外匯，從而能集中掌握資金水平與流動狀況。
- 各部門收集及整理之資料於每週及每月之管理層會議上提呈，任何差異、不足和異常之處均會於會上指出及並作出改善。
- 為確保資料機密性，查閱資訊乃按「應知方知」基準管理。使用電腦特別是連接互聯網及啟動電郵系統，均受類似基準規管，以保障安全性。

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT (continued)

Internal Control (continued)

The Company has an Internal Audit Department which is responsible for monitoring adherence to policies on the safekeeping of fixed assets and inventory and operational procedures, among others. An annual audit plan is prepared in determining the annual audit focus and the audit frequencies. The Department reports to the Group General Manager.

DELEGATION BY THE BOARD

Day-to-day operations are delegated to management led by the Group General Manager and the Group Deputy General Manager who are both EDs.

The Board reserves its own decision on corporate matters such as determination of group strategy, approval of financial reports, disposal and acquisition of assets other than goods in the course of ordinary business.

CORPORATE COMMUNICATION

Investors communication

Extensive information on the Company's corporate structure, performance and activities are provided in the annual reports and interim reports of the Group and at the Company's website at www.chowsangsang.com.

The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the Company's website.

The Company has held press conferences where EDs were present to answer questions. It has also participated in conferences with financial analysts and fund managers, so as to enhance the Group's relationship with the investor community and facilitate their understanding of the Group's strategies and operations.

All shareholders are encouraged to attend the AGM to discuss the business progress of the Group. The directors are requested to attend in order to have face-to-face communication with shareholders. The forthcoming AGM will be held on 17 May 2006, details of which are set out in the notice of AGM in the shareholders' circular dated 20 April 2006.

企業管治報告

問責及審核(續)

內部管治(續)

本公司設有內部稽核部，負責監察遵守有關妥善保存固定資產與存貨及營運程序等方面的集團政策。年度稽核計劃用以釐定年度稽核重點及次數。此部門向集團總經理匯報。

董事會授權

集團日常運作授權予均為執行董事之集團總經理及副總經理領導之管理人員負責。

董事會保留其權利決定企業事宜，如釐定集團策略、批核財務報告、出售及收購資產，日常業務之貨品除外。

企業傳訊

投資者通訊

本集團年報、中期報告及本公司網站 www.chowsangsang.com 均提供大量有關本公司企業架構、業績及活動之資料。

審核委員會、薪酬委員會及提名委員會之權限範圍載於本公司網站。

執行董事會於本公司舉行之記者招待會上回答提問。本公司亦會與財務分析員及基金經理會晤，從而提升本集團與投資界之關係及協助彼等了解本集團之策略及運作。

本公司鼓勵全體股東出席股東週年大會，以商討本集團之發展。董事亦會出席股東週年大會，親身與股東溝通。本公司謹訂於2006年5月17日舉行應屆股東週年大會，有關詳情載於2006年4月20日刊發之股東通函中股東週年大會通告內。

CORPORATE GOVERNANCE REPORT

企業管治報告

CORPORATE COMMUNICATION (continued)

Internal communication

The Company's staff members are interlinked electronically through an Intranet for prompt sharing of information. Additionally, regular meetings with the staff members from Hong Kong, Mainland China and Taiwan offices are held to discuss issues on achieving the Group's strategic objectives, actual operational practices, local rules and regulations and compliance practices. The meetings ensure that good and consistent corporate governance and company practices are reinforced and embedded in daily operations.

Written internal guidelines and presentations on the Listing Rules, in areas to which the day-to-day operations of the Group may relate, have been prepared and given. The internal guidelines enable the operational staff to have a basic knowledge on compliance. Internal guidelines prepared during the year included "Connected transactions", "Notifiable transactions", "Price-sensitive information" and "Dealing of the Company's shares by relevant employees".

Major Shareholders

The respective holdings by the top 10 shareholders that appeared on the Register of Members of the Company as at 31 December 2005 were as follows:

Name of registered shareholders 登記股東姓名	Number of shares held 持股數目	Percentage holding 持股百分比 (%)
1. HKSCC Nominees Limited 香港中央結算(代理人)有限公司	152,912,517	25.40
2. Everwin Company Limited	120,000,000	19.94
3. Happy Inc.	66,000,000	10.96
4. Happy Family Limited 快樂家庭有限公司	43,519,320	7.23
5. Top Fit Investments Limited	42,000,000	6.98
6. Kai Shing Nominees Limited 皆誠代理人有限公司	31,372,416	5.21
7. Blossom Investments Limited	21,000,000	3.49
8. Speed Star Holdings Limited	21,000,000	3.49
9. Chow King Sing, Gerald 周敬成	18,727,680	3.11
10. Golden Court Limited	17,591,595	2.92

企業傳訊(續)

內部通訊

本公司之員工透過內聯網互相以電子系統連繫，以即時共用資料。此外，香港人員亦與中國內地及台灣辦事處人員定期舉行會議，討論達成集團策略目標、實際經營慣例、當地法規以及遵守法規慣例等事宜。此等會議可確保本公司得以鞏固良好而貫徹一致之企業管治與公司慣例，從而將其融入日常運作之中。

本集團就日常運作可能涉及需按上市規則作披露之有關範疇，編製內部指引。內部指引使營運人員得以獲取基本法規知識。年內編製之內部指引包括「關連交易」、「須予公布交易」、「價格敏感資料」及「有關僱員買賣本公司之股份」。

主要股東

於2005年12月31日名列本公司股東名冊之十大股東各自之持股量如下：