

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

The Company has always endeavoured to achieve good corporate governance practices and appreciate the importance of management transparency and accountability. The Board believes that good corporate governance of the Company will contribute to maximize the interests of the Company and its shareholders as a whole.

Therefore, the Company has adopted all the code provisions set out in the Code of Corporate Governance Practices (the "New CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which has become effective on 1 January 2005 in place of the Code of Best Practice, as its own code of corporate governance practices.

The Company's compliance with all the principles of the New CG Code was reflected by the revised constitutional documents of the Company, internal rules and general corporate governance practices (as reported below). For the year ended 31 December 2005, the Company has complied with all the code provisions of the New CG Code save and except certain deviations which would be set out and explained in the relevant section below. The following is a summary of the Company's corporate governance practices for the year ended 31 December 2005.

### THE BOARD

The Board is collectively responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances whereas the senior management of the Company (the "Senior Management") was delegated the authority and responsibility by the Board for the day-to-day management of the Group. In addition, the Board has also delegated various responsibilities to the committees of the Board (the "Committees"). Further details of these Committees are set out in this report.

本公司時刻致力達致良好企業管治常規，並重視管理層之透明度及問責性。董事會相信本公司之良好企業管治將有助本公司及其股東之整體利益達致最高。

因此，本公司已採納香港聯合交易所有限公司證券上市規則（「上市規則」）附錄十四所載並於二零零五年一月一日起生效之企業管治常規守則內所列之守則條文（「新企業管治守則」），以取代最佳應用守則，作為本公司之企業管治常規守則。

本公司之經修訂組織章程文件、內部規則及一般企業管治常規（如下文所報告）反映本公司已遵照新企業管治守則之一切原則。截至二零零五年十二月三十一日止年度，除以下相關章節所載及解釋之若干偏離事項外，本公司已遵照新企業管治守則之一切守則條文。以下為本公司截至二零零五年十二月三十一日止年度之企業管治常規概要。

### 董事會

董事會主要負責領導及監控本公司，並監督本集團之業務、策略決定及業績表現，而本公司之高級管理層（「高級管理層」）則獲董事會授以權力及責任主管本集團之日常管理。另外，董事會亦向多個董事委員會（「委員會」）授以各項責任。該等委員會之進一步詳情載於本報告。

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

Board meetings are held at least 4 times a year at approximately quarterly intervals. The attendance record of the directors of the Company (the "Directors") at the Board meetings in 2005 are as follows:

董事會會議每年舉行4次，約每季一次。於二零零五年度，本公司董事（「董事」）出席董事會會議之記錄如下：

Total number of Board meetings in 2005	二零零五年度董事會 會議總數	Number of attendance	
		出席次數	%
<b>Executive Directors</b>		<b>執行董事</b>	
Mr FANG Hongbo	方洪波先生	1	25%
Mr LIU Liang (resigned on 17 January 2006)	劉亮先生(於二零零六年一月十七日辭任)	4	100%
Mr ZHANG Quan	張權先生	4	100%
Mr LI Jianwei	栗建偉先生	3	75%
<b>Non-executive Directors</b>		<b>非執行董事</b>	
Ms YUAN Liquan	袁利群女士	3	75%
Mr ZHANG Xin Hua	張新華先生	0	0%
Mr CHEN Yu Hang	陳宇航先生	1	25%
<b>Independent Non-executive Directors</b>		<b>獨立非執行董事</b>	
Mr CHAN Wai Dune	陳維端先生	1	25%
Mr LAM Ming Yung	林明勇先生	3	75%
Ms CHEN Chunhua	陳春花女士	2	50%

For each of the Board meetings during the Year, each Director had been consulted beforehand or served prior notice to enable him/her to include matters in the agenda of the forthcoming regular Board meeting.

於二零零五年度每次董事會會議，每名董事均於會前獲得諮詢或獲發會前通告，使其可提出討論事項以列入董事會定期會議議程。

The Company generally gives notice of regular Board meetings at least 14 days in advance and gives reasonable notice for all other Board meetings. In 2005, the Company had complied with the said notice requirements to give all Directors opportunity to attend the regular/other Board meetings.

本公司一般最少於14日前預先發出董事會定期會議通告，並就所有董事會其他會議發出合理通知。於二零零五年度，本公司已遵循上述通告規定，讓全體董事獲得出席董事會定期/其他會議之機會。

All Directors have access to the advice and services from the secretary of the Company ("Secretary") who is responsible for ensuring that the Board procedures are complied with and advises the Board on corporate governance and compliance matters.

全體董事均可獲本公司之秘書（「秘書」）之意見及服務。秘書乃負責確保遵循董事會程序並就企業管治及合規事宜向董事會提供意見。

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

The Secretary is responsible for taking minutes of the Board and the Committee meetings which shall record in sufficient detail the matters considered by the Board, decisions reached and concerns and divergent views, if any. For each of the Board meetings held in the year 2005, draft and final versions of the Board minutes had been sent to all Directors within reasonable time (generally within 14 days) after the Board meeting was held for their comments and records. All Board minutes are available for inspection by all Directors.

The Company's corporate governance guidelines render all Directors the rights, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense and in such circumstances, the Board shall resolve to provide separate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

The provisions of the articles of association of the Company (the "Articles") have set out a list of matters that should not be dealt with by way of circulation and such list includes the circumstances where a Director has a conflict of interest in a matter to be considered by the Board which the Board considered to be material.

In 2005, appropriate insurance cover was arranged in respect of legal action against the Directors.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company recognises the different roles of chairman of the Board (the "Chairman") and the chief executive officer (the "CEO") of the Company. Therefore, the Chairman and the CEO of the Company are separate persons to enhance the division of responsibilities between them and to ensure a balance of power and authority. In 2005, Mr FANG Hongbo was elected by the Board as the Chairman who rendered leadership to the Board so that the Board worked effectively on the strategic level of the business of the Company. To this end, the Chairman is responsible for ensuring that all Directors are properly briefed on business arising at the Board meetings and that Directors timely receive adequate, complete and reliable information. For the year 2005, the Chairman had fulfilled such responsibilities. The CEO, Mr LIU Liang (from January 2005 until August 2005) and Mr WANG Wei (from September

秘書負責記錄董事會及委員會會議之會議紀錄，其須充分詳細記錄董事會所考慮之事項、所達致之決定及關注及分歧(倘有)。於二零零五年度所舉行之每次董事會會議，董事會會議紀錄之草稿及定稿均已於會議後之合理時間內(一般為14日內)送交董事，以供彼等提出意見及存檔。所有董事會會議紀錄均隨時可供全體董事查閱。

本公司之企業管治指引賦予全體董事按合理要求及在適當情況下尋求獨立專業意見之權利，費用由本公司支付。在該等情況下，董事會須決議向董事提供獨立專業意見，以協助有關董事履行彼等之職責。

本公司之組織章程條文(「組織章程」)已載有不應以傳閱方式處理之事項列表，而該列表包括一名董事於董事會將予考慮之事項中存有董事會認為重大之利益衝突之情況。

於二零零五年度，已就對董事採取之法律行動安排適當之保險保障。

### 主席及行政總裁

本公司確認董事會主席(「主席」)及本公司行政總裁(「行政總裁」)之不同角色。因此，本公司之主席及行政總裁由不同人士擔任，以加強彼等之責任分工及確保權力均衡。於二零零五年度，方洪波先生獲董事會選為主席以領導董事會，令董事會於本公司業務之策略層面上得以有效運作。就此而言，主席乃負責確保全體董事獲知會於董事會會議產生之事宜，並確保全體董事及時獲得充足、全面及可靠之資料。於二零零五年度，主席已履行該等責任。行政總裁劉亮先生(二零零五年一月至二零零五年八月)及王偉先生(由二零零五年九月開始)已就本集團日常管理、業務方向及營運方向履行責

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

2005 onwards) has executive responsibilities over the business directions and operational decisions of the day-to-day management and performance of the Group. The Board also comprises independent non-executive Directors who contribute their expertise, experience and independent judgement to the Board. As noted below, all the members of the audit committee of the Company (the "Audit Committee") are independent non-executive Directors. Such composition functions to ensure a sufficient independent element in the Board which in turn reflect the good governance practices of the Company.

### BOARD COMPOSITION

The Board is chaired by Mr FANG Hongbo and comprises four executive Directors, being Mr FANG Hongbo, Mr LIU Liang (resigned on 17 January 2006) and is replaced by Mr WANG Wei, Mr ZHANG Quan and Mr LI Jianwei, three non-executive Directors, being Ms YUAN Liquan, Mr ZHANG Xin Hua and Mr CHEN Yu Hang, and three independent non-executive Directors, Mr CHAN Wai Dune, Mr LAM Ming Yung and Ms CHEN Chunhua. The biographies of the Directors are set out in pages 33 to 36 herein, which demonstrates a diversity of skills, expertise, experience and qualifications appropriate for the requirements of the business of the Company.

The Directors and the CEO have no financial, business, family or other material/relevant relationships with each other. The balanced board composition of four executive Directors and six non-executive Directors is formed to ensure strong independent element on the Board. The Company has received annual confirmation of independence from each of the three independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are independent within the definition of the Listing Rules. Furthermore, in 2005, all the independent non-executive Directors had been expressly identified as such in all corporate communications that disclose the names of the Company.

任。董事會亦包括獨立非執行董事；憑藉彼等之專業知識、經驗及獨立判斷為董事會作出貢獻。誠如下文所述，本公司之審核委員會（「審核委員會」）全體成員均為獨立非執行董事。該等組成之功能為確保董事會具有充足之獨立元素，從而反映本公司良好之管治常規。

### 董事會之組成

董事會由方洪波先生擔任主席，並由四名執行董事包括方洪波先生、劉亮先生（於二零零六年一月十七日辭任，由王偉先生代替）、張權先生及栗建偉先生；三名非執行董事包括袁利群女士、張新華先生及陳宇航先生；以及三名獨立非執行董事包括陳維端先生、林明勇先生及陳春花女士所組成。董事之履歷載於本年報第33頁至36頁，顯示出適合本公司業務要求之多元化技能、專業知識及資歷。

各董事及行政總裁相互間概無財務、業務、家庭或其他重大／相關之關係。由四名執行董事及六名非執行董事所建立之董事會確保董事會具有強大之獨立元素。本公司已收到三名獨立非執行董事各自根據上市規則第3.13條而發出之年度獨立性確認書。董事會已評估彼等之獨立性，結論為全體獨立非執行董事按上市規則界定均屬獨立。此外，於二零零五年度，全體獨立非執行董事已於所有披露本公司名稱之企業通訊內明確識別彼等為獨立董事。

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

### APPOINTMENTS, RE-ELECTION AND REMOVAL

The Articles provide that in every annual general meeting, one-third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third shall retire from office. The Board is of the view that such mechanism helps to ensure orderly succession to the appointments to the Board and that changes to its composition can be managed without undue disruption.

In view of the relevant provisions of the New CG Code, the Company had taken steps to ensure the appointment of the non-executive Directors with a specific term and shall be subject to re-election. As at the date of this report, all of the non-executive Directors and independent non-executive Directors have, respectively, entered into a service contract with the Company for a term of two years which commenced on 1 September 2005 and is subject to termination by either party giving not less than one month's written notice. Further, any Director appointed to fill a vacancy is subject to re-election by the shareholders of the Company at the first general meeting after his/her appointment in accordance with the Articles.

The Company deviated from Code A4.2 of the New CG Code to the extent that the Articles do not provide for every Director to be subject to retirement by rotation at least once every three years. Therefore, a special resolution will be proposed to amend the relevant provisions of the Articles at the forthcoming annual general meeting, so that every Director shall be subject to retirement by rotation at least once every three years in order to make the corporate governance practices of the Company in line with the New CG Code. The aforementioned slight deviations from the New CG Code for the Year occurred mainly due to the untimely response to the relevant parts of the revised Listing Rules.

The Company does not have a nomination committee. There was no new appointment of Directors for the Year. During the Year, the Board has examined the employment terms of the Senior Management and gave advice on the same. The independency of independent non-executive Directors had also been assessed by the Board.

### 委任、重選及罷免

組織章程規定於每屆股東週年大會上，當時三分之一之董事（或倘董事人數並非三或三之倍數，則以最接近但不超過三分之一之人數為準）須輪席退任。董事會認為有關機制有助確保董事會之委任作有秩序之更替，從而可管理其組成之變更，避免不適當之干擾。

鑑於新企業管治守則之有關條文，本公司已採取措施確保非執行董事有特定任期及須膺選連任。於本報告日期，全體非執行董事及獨立非執行董事已分別與本公司訂立服務合約，由二零零五年九月一日開始為期兩年，並可由其中一方發出不少於一個月之書面通知作出終止。另外，根據組織章程，任何獲委任填補臨時空缺之董事須於其獲委任後之首屆股東大會上由本公司股東選舉連任。

組織章程並無規定每名董事須至少每三年輪席退任一次；就此，本公司偏離新企業管治守則之守則A4.2。因此，本公司於應屆股東週年大會將提呈一項特別決議案，以修訂本公司之有關組織章程，致使每名董事須至少每三年輪席退任一次，從而令本公司之企業管治常規與新企業管治守則一致。於本年度出現上述輕微偏離新企業管治守則主要由於未有及時回應經修訂上市規則之有關部分。

本公司並無提名委員會。於二零零五年度並無新委任董事。年內，董事會已審閱高級管理層之聘用條款，並就此提出意見。董事會亦已評估獨立非執行董事之獨立性。

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

### RESPONSIBILITIES OF DIRECTORS

To ensure that every newly appointed Director has a proper understanding of the operations and business of the Group and that he/she is fully aware of his/her responsibilities as a Director under the Listing Rules, applicable regulatory requirements and other regulatory requirements and the business and governance policies of the issuer, each of the newly appointed Director is given a comprehensive orientation package containing the above information and requirements. Also, the Directors are continually updated with legal and regulatory development, business and market changes and the strategic development of the Group to facilitate the discharge of their responsibilities.

The non-executive Directors take an active role in Board meetings, contribute to the development of strategies and policies and make sound judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct. They will take lead where potential conflicts of interests arise. They are also members of various Committees and scrutinize the overall performance of the Group in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct rules (the "Model Code") regarding securities transactions by Directors on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules. After making specific enquiries of all Directors, the Company confirms that all the Directors have complied with the Model Code in 2005.

### 董事之責任

為確保每名新任董事對本集團之業務及運作均有恰當之了解，並確保彼已完全知悉彼根據上市規則、適用之監管規定及其他監管規定以及發行人之業務及管治政策作為董事之責任，每名新任董事均獲提供一套全面之迎新資料，內載上述資料及規定。另外，法規及監管事宜上之發展、業務及市場變化以及本集團之策略性發展如有新資料，亦會知會董事，以協助彼等履行責任。

非執行董事於董事會會議中擔當積極主動之角色，為策略及政策之開發作出貢獻，並就策略、政策、業績表現、問責性、資源、主要委任及操守準則等事宜作出合理判斷。倘產生潛在之利益衝突，彼等將作出領導。彼等亦為不同委員會之成員，負責監督本集團之整體業績表現以達致協定之企業目的及目標，同時亦監察業績表現之報告。

### 董事之證券交易

本公司已就董事進行證券交易採納一套操守規定守則（「標準守則」），其條款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之標準守則之規定。經向全體董事作出特定查詢，本公司確認全體董事於二零零五年度均已遵循標準守則。

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

### SUPPLY OF AND ACCESS TO INFORMATION

In respect of regular Board meetings, an agenda and accompanying Board papers are sent to all Directors at least three days before the date of Board/Committees meeting.

The management has an obligation to supply the Board and the Committees with adequate information in a timely manner to enable the Board make informed decisions. Where any Director requires more information than is volunteered by the management, each Director may contact the Senior Management through individual and independent channels and to make further enquires if necessary and such enquiries will be responded by the management within a reasonable time with sufficient details. Furthermore, Board papers and minutes are made available for inspection by Directors and Committee members.

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company established its remuneration committee (the "Remuneration Committee") in September 2005. The Remuneration Committee has made available its scope of duties on the website of the Company to explain its role and the authority delegated to it by the Board.

The duties of the Remuneration Committee include:

- (i) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and Senior Management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

### 資料之提供及使用

就董事會定期會議而言，議程及隨附之會議文件會於董事會／委員會會議日期最少三日前送交全體董事。

管理層有責任向董事會及其委員會適時提供充足資料，以使董事會能夠作出知情決定。倘任何董事所需之資料較管理層自願提供者為多，每名董事均可使用個別及獨立之途徑接觸發行人之高級管理層，以作進一步查詢（倘屬必要），而管理層將於合理時間內詳盡回應有關查詢。另外，會議文件及紀錄隨時可供董事及委員會成員查閱。

### 董事及高級管理層薪酬

本公司於二零零五年九月成立其薪酬委員會（「薪酬委員會」）。薪酬委員會之職權範圍於本公司網站內可供查閱，以解釋其角色及董事會向其授予之權力。

薪酬委員會之職責包括：

- (i) 就本公司董事及高級管理層之全體薪酬政策及架構，及就設立正規而具透明度之程序制訂此等薪酬政策，向董事會提出建議；

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

- (ii) to have the delegated responsibility to determine the remuneration packages of all executive Directors and Senior Management, including benefits in kind, pension rights and compensation payment, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board the remuneration of non-executive Directors. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the group and desirability of performance-based remuneration;
- (iii) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; and
- (iv) to ensure that no Director or any of his associates is involved in deciding his own remuneration.
- (ii) 獲授予以下責任，即釐定全體執行董事及高級管理層之薪酬待遇，包括非金錢利益、退休金權利及賠償金額（包括喪失或終止職務或委任之賠償），並就非執行董事之薪酬向董事會提出建議。薪酬委員會應考慮之因素包括同類公司支付之薪酬、董事須付出之時間及董事職責、集團內其他職位之聘用條件及是否應按表現釐定薪酬等；
- (iii) 透過參照董事會不時通過之企業目的及目標，檢討及批准按表現而釐定之薪酬；及
- (iv) 確保任何董事或其任何聯繫人不得自行釐定薪酬。

A majority of the members of the Remuneration Committee are independent non-executive Directors. This committee is chaired by Ms CHEN Chunhua and other members are Mr FANG Hongbo, Mr LI Jianwei, Mr CHAN Wai Dune and Mr LAM Ming Yung. The attendance of each member in the Remuneration Committee meeting is set out as follows:

薪酬委員會之大部分成員均為獨立非執行董事。該委員會由陳春花女士擔任主席，其他成員為方洪波先生、栗建偉先生、陳維端先生及林明勇先生。各成員出席薪酬委員會會議之記錄如下：

Total number of Remuneration Committee meeting in 2005		二零零五年度薪酬委員會會議總數	
		Number of attendance	%
		出席次數	%
<b>Executive Directors</b>	<b>執行董事</b>		
Mr FANG Hongbo	方洪波先生	0	0%
Mr LI Jianwei	栗建偉先生	1	100%
<b>Independent Non-executive Directors</b>	<b>獨立非執行董事</b>		
Mr CHAN Wai Dune	陳維端先生	1	100%
Mr LAM Ming Yung	林明勇先生	1	100%
Ms CHEN Chunhua	陳春花女士	0	0%



# CORPORATE GOVERNANCE REPORT

## 企業管治報告

In 2005, the Remuneration Committee considered the following proposals and made recommendation to the Board after consultations with the Chairman or the CEO:

- (i) annual salary review for executive Directors and non-executive Directors; and
- (ii) offer and grant of share options under the share option scheme in 2003 to eligible employees including four executive Directors and three non-executive Directors.

The Company's remuneration policy for the Directors and Senior Management are set on the basis that the corporate performance of the Company was contributed by the work performance of them, which in turn was reflected by their remuneration level. For the purpose of determining the level of remuneration of Directors and Senior Management, appraisal of their work performance of Directors and Senior Management had been conducted during the Year. Such work performance of Directors and Senior Management was judged by the extent to which the Company's budget target was met, the financial performance of the Company in terms of sales revenue and net profits as disclosed in the audited financial report. Such work performance appraisal was conducted by the Remuneration Committee who would provide their advice as to the remuneration level of the Directors and the Senior Management. Remuneration of Directors and Senior Management are determined in general meetings according to related policies, the recommendation by the Remuneration Committee and the actual financial position of the Company.

During the Year, all independent non-executive Directors are paid director fees while the remaining Directors are not paid any director fees by the Company.

The Remuneration Committee is provided with sufficient resources, including the advice of professional firms, to discharge its duties, if necessary.

於二零零五年度，薪酬委員會已考慮下列建議，並於諮詢主席或行政總裁後向董事會作出建議：

- (i) 執行董事與非執行董事之年度薪金檢討；及
- (ii) 根據二零零三年之購股權計劃向合資格僱員（包括四名執行董事及三名非執行董事）發出及授予購股權。

本公司對董事及高級管理層之薪酬政策建基於彼等之工作表現為本公司之企業業績所帶來的貢獻，並由彼等之薪酬水平作出反映。為釐定董事及高級管理層之薪酬水平，年內已對董事及高級管理層之工作表現作出評估。董事及高級管理層之有關工作表現乃透過本公司預算目標之完成程度、本公司按經審核財務報告所披露之銷售收益及純利釐定之財務表現而作出判斷。薪酬委員會負責進行有關之工作表現評估，並就董事及高級管理層之薪酬水平提供意見。董事及高級管理層之薪酬於股東大會上按照相關政策、薪酬委員會之建議及本公司之實際財政狀況釐定。

於本年度內，全體獨立非執行董事均獲本公司支付董事袍金，而其餘董事則不獲本公司支付任何董事袍金。

薪酬委員會獲提供充足資源，包括專業公司之建議，以履行其職責（倘屬必要）。

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

### ACCOUNTABILITY AND AUDIT

The management provides the relevant information and explanation to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to shareholders. The Directors aim to present a balanced and reasonable assessment of the Group's position and prospects.

The Group incurred a loss attributable to the equity holders of the Company of HK\$283,540,000 for the year ended 31 December 2005. In addition, the Group had net current liabilities and net liabilities of HK\$710,269,000 and HK\$261,616,000, respectively, as at 31 December 2005. Nevertheless, the Directors have adopted the going concern basis in the preparation of these financial statements based on the assumptions disclosed in the Note 2.1 to the financial statements.

In the opinion of the Directors, in light of the measures taken to date and on the basis of the mentioned major assumptions disclosed in Note 2.1 to the financial statements, the Group will have sufficient working capital to finance its operation to maintain its operating existence in the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to prepare the accounts on a going concern basis.

The Board acknowledges its responsibility to present a balanced, clear and comprehensible assessment in the Company's annual and interim reports, other price-sensitive announcement and other financial disclosures required under the Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements.

### 問責及審核

於董事會就提交予董事會批准之財務及其他資料作出知情評估前，會獲管理層向董事會提供相關資料及解釋。

董事知悉彼等之責任，為每個財政年度編製財務報表（以真實及公平地反映本集團之財政狀況）、呈報中期及年度財務報表及向股東作出公佈。董事旨在呈報對本集團現況及展望之平衡合理之評估。

截至二零零五年十二月三十一日止年度，本集團錄得本公司股權持有人應佔虧損約港幣283,540,000元。另外，本集團於二零零五年十二月三十一日之淨流動負債約港幣710,269,000元及淨負債約港幣261,616,000元。然而，該等財務報表乃董事採納持續經營之基準，並基於財務報表附註2.1所披露之各項假設後編製而成。

董事認為，基於管理層已採取之措施及財務報表附註2.1所披露之主要假設，本集團將可獲取足夠之營運資金以支持本集團於可預見之未來之經營需要。因此，董事確認本賬目按持續經營之基準編制為恰當。

董事會知悉彼等之責任，於本公司之年度及中期報告、其他涉及股價敏感資料之公佈及根據上市規則規定須予披露之其他財務資料，以及向監管者提交的報告書以至根據法例規定須予披露之資料中呈報平衡、清晰及詳細之評估。

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

### INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to Senior Management for the implementation of the system of internal controls and reviewing of all relevant financial, operational, compliance controls and risk management function within an established framework. During the Year, the Board had conducted a review of the effectiveness of the system of internal control of the Company and its subsidiaries and was of the view that the Company and its subsidiaries had been operating an effective system of internal control for the Year.

### AUDIT COMMITTEE

The Audit Committee has made available its scope of duties, on the website of the Company, explaining its role and the authority delegated to it by the Board, and such terms of reference includes all the required terms as set out in C3.3 of the New CG Code. The Audit Committee was provided with sufficient resources in order to discharge its duties.

Main duties of the Audit Committee:

- (i) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of that auditors;
- (ii) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report, and to review significant financial reporting judgements contained in them, and to review the Company's annual report and accounts, half-year report before submission to the Board;

### 內部監控

董事會需負責整體內部監控系統並檢討其效能。董事會承諾執行有效而妥善之內部監控系統，以保障股東之權益及本集團之資產。董事會已授權高級管理層於現有架構上執行內部監控系統及評估一切有關財務、營運、合規監控以及風險管理功能。本年度，董事會已就本公司及其附屬公司之內部監控系統之有效性進行檢討，並認為本公司及其附屬公司於本年度已有一套有效內部監控系統運作。

### 審核委員會

審核委員會之職權範圍於本公司網站內可供查閱，以解釋其角色及董事會向其授予之權力，而該等職權範圍包括新企業管治守則第C3.3條所載之一切規定條款。審核委員會獲提供充足資源以履行其職責。

審核委員會之主要職責：

- (i) 主要負責就外聘核數師之委任、重新委任及罷免向董事會提供建議、批准外聘核數師之薪酬及聘用條款，及處理任何有關該核數師辭任或罷免之問題；
- (ii) 監察本公司之財務報表及本公司年度報告及賬目、半年度報告之完整性，並審閱報表所載有關財務報告中之重要判斷，及在向董事會提交前審閱有關本公司年度報告及賬目、半年度報告；

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

(iii) to review the Company's financial controls, internal controls and risk management systems; and

(iv) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system.

The Audit Committee comprises all three independent non-executive Directors. The Audit Committee has been chaired by Mr CHAN Wai Dune since August 1999 and other members are Mr LAM Ming Yung and Ms CHEN Chunhua. The attendance of each member is set out as follows:

(iii) 檢討本公司之財務監控、內部監控及風險管理制度；及

(iv) 與管理層討論內部監控系統，確保管理層已履行職責，建立有效之內部監控系統。

審核委員會由全體三名獨立非執行董事組成。自一九九九年八月起，審核委員會由陳維端先生擔任主席，其他成員包括林明勇先生及陳春花女士。各成員出席之記錄如下：

**Total number of Audit Committee meetings in 2005**

**二零零五年度審核委員會會議總數**

5

**Number of attendance**  
出席次數

%  
%

### Independent Non-executive Directors

### 獨立非執行董事

Mr CHAN Wai Dune

陳維端先生

5

100%

Mr LAM Ming Yung

林明勇先生

5

100%

Ms CHEN Chunhua

陳春花女士

3

60%

Full minutes of Audit Committee meetings are kept by the Secretary who serves also as secretary of the meetings of Audit Committee. Draft and final versions of minutes of the Audit Committee meetings are sent to all members of the Committee for their comment and records respectively, in both cases generally within 14 days after the meeting.

審核委員會之完整會議紀錄由秘書（同時擔任審核委員會會議之秘書）保存。審核委員會會議紀錄之初稿及最後定稿一般在會議後14日內先後送交委員會全體成員，初稿供成員表達意見，最後定稿作其紀錄之用。

During the Year, the Audit Committee had convened 5 meetings all of which chaired by Mr CHAN Wai Dune, the committee chairperson. The work performed by the Audit Committee during the Year included:

本年度，審核委員會已召開5次會議，全部由委員會主席陳維端先生主持。年內審核委員會所履行之工作包括：

(i) to review the Group's annual and interim reports;

(i) 審閱本集團之年度及中期報告；

(ii) to review and advise on the terms of engagement and other matters relating to the external auditors of the Company;

(ii) 就有關本公司之外聘核數師之聘用條款及其他事項作出檢討及建議；

(iii) to review and advise on the system of internal control of the Company;

(iii) 就本公司之內部監控系統作出檢討及建議；

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

(iv) to review and confirm that the Company's connected transactions are entered in normal commercial terms, fair and reasonable, and in the interests of the shareholders of the Company as a whole; and

(v) to advise on significant events of the Company and highlight to the management the related risks.

The Board agrees with the Audit Committee's proposal for the reappointment of Messrs PricewaterhouseCoopers as the Company's external auditors for 2006. The recommendation will be put forward for the approval of shareholders of the Company at the forthcoming annual general meeting.

None of the three Audit Committee members are former partner of Messrs PricewaterhouseCoopers.

During the Year, the remuneration paid to the Company's external Hong Kong auditors, Messrs PricewaterhouseCoopers, is set out as follows:

(iv) 檢討及確認本公司之關連交易乃屬一般商業條款、公平合理及符合本公司股東之整體利益；及

(v) 就本公司之重大事項提出意見，並向管理層強調有關風險。

董事會同意審核委員會建議重新委任羅兵咸永道會計師事務所為本公司二零零六年之外聘核數師。該建議將於應屆股東週年大會上提呈本公司股東批准。

三名審核委員會成員均非羅兵咸永道會計師事務所之前合伙人。

於本年度，向本公司外聘香港核數師羅兵咸永道會計師事務所支付之酬金載列如下：

		Fee paid/payable
		已付／應付
		HK\$'000
		港幣千元
Audit services	核數費	2,044
Non-audit services:	非核數服務：	
Rights issue	供股	294
Total	合計	2,338

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

### DELEGATION BY THE BOARD

The day-to-day management of the Company is delegated to the management, with each division responsible for different aspects of the business of the Company.

Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports and announcements for the Board approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

### BOARD COMMITTEES

The Board has established two Committees with defined scope of duties in written form. The Committees are the Audit Committee and the Remuneration Committee. The scope of duties of the Audit Committee and the Remuneration Committee are posted on the Company's website <http://www.hualing.com>.

Each Committee will report to the Board as a whole the findings of its meetings and submit the minutes of the same.

### COMMUNICATION WITH SHAREHOLDERS

In 2005, separate resolution had been proposed by the chairman of that meeting in respect of each substantially separate issue at each of the general meetings of the Company.

The Chairman, Mr FANG Hongbo, had attended the annual general meeting of the Company in 2005 and was available to answer questions at the said meeting.

### 董事會授權

本公司之日常管理已授權予管理層，而各部門負責本公司業務之不同範疇。

董事會向管理層作出特定授權之主要企業事項包括編製中期及年度報告及公佈以供董事會於刊發前批准、執行董事會採納之業務策略及計劃，實行充足之內部監控系統及風險管理程序，以及遵照有關之法例規定及規則與規例。

### 董事委員會

董事會已成立兩個訂有書面特定職權範圍之委員會。該等委員會為審核委員會及薪酬委員會。審核委員會及薪酬委員會之職權範圍刊載於本公司網站 <http://www.hualing.com>。

各委員會將向董事會報告其會議結果，並提交其會議紀錄。

### 與股東之溝通

於二零零五年度，會議主席已就每項實際獨立之事宜，於本公司各股東大會上提出獨立決議案。

主席方洪波先生已出席本公司二零零五年度股東週年大會，並於上述大會上回應提問。

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

### VOTING BY POLL

The Company informs the shareholders (in its circulars in which a notice was attached to convene a general meeting) the procedures for voting by poll and the rights of shareholders to demand a poll to ensure compliance with the requirements under the Listing Rules. Pursuant to Article 68 of the Articles, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules or regulations or unless (before or on the declaration of the result of the show of hands or on or before the withdrawal of any other demand for a poll) a poll is duly demanded. Subject to the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), a poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least three shareholders present in person or by proxy and entitled to vote at the meeting; or
- (c) any shareholder or shareholders present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all shareholders having the right to attend and vote at the meeting; or
- (d) any shareholder or shareholders present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

The Chairman of the general meeting of the Company will disclose to the meeting the total number of votes represented by all proxies held by Directors indicating an opposite vote to the votes cast at such meeting on a show of hands. The Company should count all proxy votes, and except where a poll is required, the chairman of a general meeting of the Company should 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. The Company should ensure that votes cast are properly counted and recorded by the appointment of a scrutineer.

### 進行投票表決

本公司已於其附隨召開股東大會通告之通函內通知股東有關投票表決之程序及股東要求表決之權利，以確保遵照上市規則之規定。根據組織章程第68條，在股東大會上提呈之決議案將由股東舉手投票決定，除非上市規則或其他適用法例、規則或規例不時規定須進行投票表決，或除非（於宣佈舉手投票結果或撤回任何以投票表決要求時或之前）正式要求投票表決，則作別論。受香港法例第32章公司條例所限，下列人士可要求進行投票表決：

- (a) 大會主席；或
- (b) 至少三名親身或委派代表出席之股東，並有權於大會上投票；或
- (c) 任何一名或多名親身或委派代表出席，及合共佔所有有權出席大會並有權於會上投票之股東之總投票權不少於十分之一之股東；或
- (d) 任何一名或多名親身或委派代表出席，及持有獲賦予權利出席大會及有權於大會上投票之股份之實繳股款總額不少於全部獲賦予該項權利之股份實繳股款總額十分之一之股東。

本公司股東大會主席將在會議上披露董事持有所有委任代表所代表之總票數，以顯示於該大會以舉手方式表決時所投之反對票之總票數。公司應點算所有委任代表投票之票數以及除非要求以投票方式進行表決，本公司股東大會主席應在會上表明每項決議案之委任代表投票比例，以及贊成及反對票數（如以舉手方式表決）。公司應委任監票人，以確保所有票數均適當點算及記錄在案。

# CORPORATE GOVERNANCE REPORT

## 企業管治報告

The Chairman of a general meeting of the Company should at the commencement of any such meeting ensure that an explanation is provided of:

- (i) the procedure for demanding a poll by shareholders before putting a resolution to the vote a show of hands; and
- (ii) the detailed procedures for conducting a poll and then answer any question from shareholders whenever voting by way of a poll is required.

In 2005, the Directors confirmed that all the above requirements in respect of voting by poll at any general meeting had been duly complied with.

本公司股東大會主席應確保在任何有關大會開始時已解釋下列事宜：

- (i) 在決議案以舉手方式表決之前股東要求以投票方式表決之程序；及
- (ii) 在要求以投票方式表決之情況下，以投票方式進行表決然後回答股東提出任何問題之詳細程序。

於二零零五年度，董事確認已妥善遵照上述有關於任何股東大會進行投票表決之規定。