

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest in general. The Board works hard to ensure effective self-regulatory practices which include high caliber members, Board committees and sound internal control system.

## CODE ON CORPORATE GOVERNANCE PRACTICES

In November, 2004, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") issued the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") which replaces the Code of Best Practice effective 1st January, 2005 and applies to disclosure referable to accounting periods commencing on or after 1st January, 2005. The Code sets out the principles of good corporate governance, and two levels of recommendations: (a) code provisions; and (b) recommended best practices. The Company has adopted the code provisions set out in the Code as its own code on corporate governance practices.

This Corporate Governance Report includes the mandatory disclosure requirements and the recommended disclosures set out in Appendix 23 to the Listing Rules and describes how the Company has applied the principles in the Code throughout the year ended 31st December, 2005.

The Board believed that the Company has applied the principles and complied with the code provisions throughout the year ended 31st December, 2005 except that:

1. the Independent Non-executive Directors (the "INED(s)") have not been appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Articles of Association.
2. the Directors have not been required by the Company's Articles of Association to retire by rotation at least once every three years. However, in accordance with the Company's Articles of Association, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation at each annual general meeting.

本公司銳意維持高度企業管治，以確保運作更具透明度，全面保障股東利益。董事會致力確保制訂行之有效之自我監管常規，當中包括卓越之成員、董事委員會及切要之內部監控制度。

## 企業管治常規守則

於二零零四年十一月，香港聯合交易所有限公司（「聯交所」）頒布聯交所證券上市規則（「上市規則」）附錄十四所載之《企業管治常規守則》（「守則」），用以取代最佳應用守則。守則自二零零五年一月一日起生效，並適用於二零零五年一月一日或之後開始之會計期間之有關披露事項。守則訂明良好企業管治的原則及分兩層次的有關建議：(a)守則條文；及(b)建議最佳常規。本公司已採納載列於守則之守則條文，作為其企業管治常規守則。

本企業管治報告書載有上市規則附錄二十三所載之強制披露要求及建議披露的資料，概述本公司於截至二零零五年十二月三十一日止年度如何應用守則原則。

除以下情況外，董事會相信本公司於截至二零零五年十二月三十一日止年度一直遵守應用該等原則並遵守守則條文：

1. 獨立非執行董事（「獨立非執行董事」）並非按任何特定任期委任，而須根據本公司之組織章程細則於本公司之股東週年大會上輪席告退及膺選連任。
2. 本公司之組織章程細則並無規定董事最少每三年輪席告退一次。然而，根據本公司之組織章程細則，按當時出任董事人數三分之一之董事，（或倘彼等之人數並非三或三之倍數，則以最接近三分之一之人數）須於每屆股東週年大會上輪席告退。

## CODE ON CORPORATE GOVERNANCE PRACTICES (cont'd)

3. One of the regular Board meetings was attended by less than a majority of the Directors entitled to be present. Chairman of the Board (the "Chairman") was unable to attend the 2005 annual general meeting of the Company due to other urgent commitments.

The Board will ensure the retirement of each Director by rotation at least once every three years and the proper meeting attendance by the Chairman and the Directors in order to comply with the code provisions set out in the Listing Rules.

## MODEL CODE FOR SECURITIES TRANSACTIONS

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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. 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 securities transactions by directors adopted by the Company during the year.

In addition, the Company also established written guidelines on terms no less exacting than the Model Code for relevant employees of the Company who are likely to be in possession of unpublished price-sensitive information in respect of their dealings in the securities of the Company.

## BOARD OF DIRECTORS

The Board is accountable for directing and supervising the Company's affairs in a responsible and effective manner. Each Director has a duty to act in good faith in the best interest of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Company are managed, controlled and operated. They accept appointment as they are able to give sufficient time and attention to the Company's affairs.

The Board currently comprises two Executive Directors and three INED representing more than one-third of the Board. The Directors' biographies are available on the Company's website. The INED are highly experienced professionals and business people with a broad range of expertise and experience in areas such as accounting, finance and business and one of them has appropriate professional qualification as required by the Stock Exchange.

## 企業管治常規守則（續）

3. 其中一次董事會之定期會議少於過半數有權出席會議之董事出席。董事會主席（「主席」）因其他緊急要事而未能出席本公司二零零五年股東週年大會。

董事會將確保每位董事至少每三年輪席告退一次，以及主席和董事如期出席會議，以符合上市規則所載之守則條文規定。

## 證券交易之標準守則

本公司已就董事進行證券交易採納了一套不遜於上市規則附錄十《上市發行人董事進行證券交易的標準守則》（「標準守則」）所載之規定標準的操守準則。本公司向全體董事作出具體查詢後，所有董事確認彼等於年內一直遵守標準守則以及本公司就董事進行證券交易所採納之操守準則所載之所須標準。

此外，本公司亦已就可能擁有未公佈股價敏感資料之相關僱員，制訂不遜於標準守則之書面指引，作為彼等進行本公司證券交易之指引。

## 董事會

董事會負責以有效可信之方法領導及監督本公司事務。每位董事以本公司之最佳利益為前題，以誠信態度履行職責。董事知悉彼等以管理、控制及經營本公司事務之方式，共同及個別向全體股東負責。接納委任為董事皆因彼等具有足夠時間及能力處理本公司事務。

董事會目前由兩位執行董事及三位獨立非執行董事組成。獨立非執行董事之人數超過董事會成員總數之三分之一。董事簡歷可於本公司網頁瀏覽。獨立非執行董事為極富經驗之專業人士及商界人士，在會計、金融及商界均具備豐富專業知識及經驗，其中一人更具備聯交所規定之相關專

## BOARD OF DIRECTORS (cont'd)

They participate in Board meetings to bring independent judgment on Company's strategy, performance and standards of conduct; take the lead where potential conflicts of interests arise; serve on Board committees; ensure that the Board maintains high standards of financial and other mandatory reporting; and provide adequate checks and balance to safeguard the interests of shareholders in general and the Company as a whole. The names of the INED are identified in all corporate communications that disclose the Directors' names.

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

Throughout their period in office, the Directors were continually updated on the Group's business, the competitive and regulatory environments in which it operates and other changes affecting the Group and the industry it operates in as a whole. They were also advised on appointment of their legal and other duties and obligations as directors of a listed company and updated on changes to the legal and governance requirements of the Group and upon themselves as the Directors.

The Directors are given access to independent professional advice at the Company's expense, when they deem it is necessary in order for them to carry out their responsibilities.

The Directors are consulted and properly briefed for matters to be included in the meeting agenda. The Board is supplied with relevant information as well as reports relating to operational and financial performance of the Group before each regular Board meeting. At least 14 days' notice of a regular Board meeting is given to all Directors to give them the opportunity to attend. Board papers are dispatched to all Directors at least 3 days before the meeting to ensure that they have sufficient time to review the same and will be adequately prepared for the meeting. Senior management members who are responsible for the preparation of the Board papers are usually invited to the meeting to address the Board members' queries. This enables the Board to have pertinent data and insight for a comprehensive and informed evaluation as part of the Board's decision-making purpose.

The Chairman has delegated the responsibility to the Company Secretary of the Company (the "Company Secretary") for drawing up and approving the meeting agenda for each Board meeting taking into account any matters proposed by the other Directors for inclusion in the agenda.

## 董事會（續）

業資格。彼等參與董事會會議，對本公司之策略、表現及守則標準作出獨立判斷；在有潛在利益衝突時發揮牽頭引導作用；出任董事委員會；確保董事會維持高水平之財務及其他強制申報準則；以及提供足夠審查及平衡保障全體股東利益與本公司整體利益。在所有披露董事姓名之企業通訊中已列出獨立非執行董事之身份。

本公司已接獲各獨立非執行董事之年度確認書，確認彼等符合上市規則第 3.13 條所載有關獨立性之規定。本公司認為全體獨立非執行董事均為獨立人士。

董事於在任期間持續獲有關本集團業務，經營所在地之競爭及規管環境，以及整體上影響本集團及其經營行業之其他變動的資料。彼等亦就委任為上市公司董事之法定及其他職能與及職責獲提供意見，並於彼等成為董事後更新有關本集團之法定及監管規定之變動。

董事可視乎履行其職責所需而尋求獨立專業意見，費用概由本公司承擔。

董事可獲諮詢及簡報會議議程內所載之事宜，並於每次定期董事會會議前獲發有關本集團營運及財務表現之相關資料及報告。定期董事會會議通知於開會最少 14 日前送交全體董事，供其選擇是否出席會議。董事會文件於會議舉行最少 3 日前發給全體董事，確保彼等具備足夠時間審閱該文件，並為會議作好充份準備。負責編製董事會報告之高級管理層成員一般獲邀與會，解答董事會成員之提問。此舉令董事會在作出全面而知情之評估時，具有中肯之數據及認知，有助董事會決策之部份考慮。

主席已委派本公司之公司秘書（「公司秘書」）負責考慮其他董事建議納入議程之任何事宜後，編撰及批核每次董事會會議之議程。

## BOARD OF DIRECTORS (cont'd)

The proceedings of the Board at its meetings are generally conducted by the Chairman who ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and also equal opportunities are being given to the Directors to speak, express their views and share their concerns.

Pursuant to the Company's Articles of Association, the Director has to declare interest and abstain from voting on any board resolution in which he or any of his associates has a material interest.

All Directors have full access to the advice and services of the Company Secretary to ensure board procedures, rules and regulations are followed. Draft and final versions of minutes of board meeting in sufficient details are sent to the Directors for comments and records within reasonable time after the meeting is held. The minutes of board meeting and meetings of the Board committees kept by the Company Secretary are open for inspection by the Directors on reasonable notice.

The Board met 6 times in person or through telephone conference in 2005. Individual attendance of each Board member at these meetings is as follows:

Directors	Attendance
<i>Executive Directors</i>	
Thomas Lau, Luen-hung (Chairman)	5/6 (83%)
Joseph Lau, Luen-hung (Chief Executive Officer)	5/6 (83%)
<i>Independent Non-executive Directors</i>	
Wang, Jian-guo	4/6 (66%)
Mok, Hon-sang	6/6 (100%)
Wong, Tik-tung	6/6 (100%)

Of these, 4 regular Board meetings were held to approve the 2004 final results, 2005 interim results and to consider financial and operating performances of the Group. 2 other Board meetings were held for corporate governance issues. The Company Secretary and the Qualified Accountant attended the Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial.

The INED have actively participated in Board meetings, brought independent judgment and given their comments to the information or reports submitted to the meetings.

## 董事會 (續)

董事會之議事程序一般由主席進行。主席負責確保分配充裕之時間，討論及考慮議程內之各個項目，以及各董事均獲平等機會發言、表達意見及提出其關注事宜。

根據本公司之組織章程細則，董事須申報權益，並就其本身或其任何聯繫人士擁有重大權益之任何董事決議案放棄投票。

全體董事有權全面尋求公司秘書之意見及服務，確保遵守董事會程序、規則及規例。詳盡之董事會會議紀錄之草稿及定稿將於舉行會議後之合理時間內，送交董事提供意見及記錄。董事會會議及董事委員會會議之記錄由公司秘書存置，並可由董事發出合理通知下供其查閱。

董事會於二零零五年已舉行 6 次以親身出席或以電話形式舉行的會議。各董事會成員於該等會議之出席率如下：

董事	出席率
<i>執行董事</i>	
劉鑾鴻 (主席)	5/6 (83%)
劉鑾雄 (行政總裁)	5/6 (83%)
<i>獨立非執行董事</i>	
王建國	4/6 (66%)
莫漢生	6/6 (100%)
汪滌東	6/6 (100%)

6 次董事會會議中，4 次定期董事會會議之舉行為批准二零零四年全年業績、二零零五年中期業績及考慮本集團之財務及經營情況。另外 2 次董事會會議乃就企業管治事宜而舉行。公司秘書及合資格會計師出席董事會會議，匯報企業管治、風險管理、法例遵守、會計及財務相關之事宜。

獨立非執行董事已積極參與董事會會議，作出獨立判斷及就會議提呈之資料或報告發表意見。

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer (“CEO”) are separate and not performed by the same individual. During the year ended 31st December, 2005, Mr. Thomas Lau, Luen-hung was the Chairman with responsibility for overseeing the function of the Board, formulating overall strategies and policies of the Company. Mr. Joseph Lau, Luen-hung was nominated CEO of the Company in June 2005 with responsibility for the overall business and operation of the Group. This segregation is clearly established and set out in writing to ensure a clear distinction between the Chairman’s responsibility to manage the Board and CEO’s responsibility to manage the Group’s business. Mr. Joseph Lau, Luen-hung is the brother of Mr. Thomas Lau, Luen-hung.

## BOARD COMMITTEES

The Board has established an Audit Committee and a Remuneration Committee with defined roles and terms of reference.

### *Audit Committee*

The Audit Committee has been established since December 2000 with the role to assist the Board in establishing formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company’s auditors (the “External Auditors”). It acts in an advisory capacity and makes recommendations to the Board.

All the Audit Committee members, appointed from the INED, possess diversified industry experience and the chairman has appropriate professional qualification, or accounting, or related financial management expertise as required by the Listing Rules, who are:

Mr. Wang, Jian-guo  
Mr. Mok, Hon-sang  
Mr. Wong, Tik-tung (*chairman*)

The Audit Committee operates pursuant to written terms of reference, which are prepared in accordance with the recommendations set out in “A Guide for Effective Audit Committees” issued by the Hong Kong Institute of Certified Public Accountants in February 2002 and are revised to align with the provisions of the Code in June 2005. The terms of reference of the Audit Committee can be found on the Company’s website.

## 主席及行政總裁

主席及行政總裁（「行政總裁」）之角色須予分開，且不得由同一個人擔任。截至二零零五年十二月三十一日止年度，劉鑾鴻先生為主席，負責監督董事會職能、制訂本公司整體策略及政策。劉鑾雄先生於二零零五年六月獲提名為本公司行政總裁，負責監督本集團之業務及運作。主席及行政總裁職能已清楚以書面訂立及列明劃分，主席負責管理董事會，而行政總裁負責管理本集團業務。劉鑾雄先生為劉鑾鴻先生之胞兄。

## 董事委員會

董事會已成立審核委員會及薪酬委員會，並界定其角色及職權範圍。

### *審核委員會*

審核委員會於二零零零年十二月成立，其角色為協助董事會建立正式及具透明度之安排，讓董事會考慮如何應用財務匯報及內部監控原則，以及如何與本公司核數師（「外聘核數師」）維持恰當的關係。審核委員會具有顧問職能並向董事會提供意見。

審核委員會全體成員均從獨立非執行董事中委任，具備多元化的業務經驗，而主席具備了上市規則規定之相關專業資格或會計或相關財務管理專業知識。彼等為：

王健國先生  
莫漢生先生  
汪滌東先生（*主席*）

審核委員會按職權範圍書運作，職權範圍書乃根據香港會計師公會於二零零二年二月頒佈之「有效審核委員會指引」所載之推薦建議而編製，並已按於二零零五年六月根據守則條文作出修訂。有關審核委員會之職權範圍的詳情，可瀏覽本公司網站。

## BOARD COMMITTEES (cont'd)

The major duties of the Audit Committee are summarised below:

- i) to make recommendations to the Board on the appointment, re-appointment and removal of the Company's External Auditors, review and monitor their independence and objectivity and the effectiveness of the audit process;
- ii) to monitor the integrity of the interim and annual consolidated financial statements, reports and accounts and quarterly reports of the Company, and to review any significant financial reporting judgments contained in them; and
- iii) to review and ensure the effectiveness of the Company's financial controls, internal controls and risk management systems.

The Audit Committee shall meet at least twice each year. The Company prepares and delivers an information memorandum that included all relevant information about the meetings to the Audit Committee members at least 3 days prior to such meetings. Audit Committee members review the information memorandum with due care and discuss with the Company's Qualified Accountant, the Company Secretary and other senior management (if necessary) during the meetings.

The Audit Committee held 4 meetings with the presence of the Company's senior management during the year and the Audit Committee members met and discussed with the External Auditors without the presence of the Company's senior management for three times. Minutes drafted by the Company Secretary were circulated to the Audit Committee members for comments within a reasonable time after each meeting. Full minutes were kept by the Company Secretary and copies of the minutes were sent to the Audit Committee members for record.

Individual attendance of each committee member at these meetings is as follows:

Independent Non-executive Directors	Attendance
Wang, Jian-guo	3/4 (75%)
Mok, Hon-sang	4/4 (100%)
Wong, Tik-tung (chairman)	4/4 (100%)

## 董事委員會 (續)

審核委員會之主要職責概述如下:

- i) 就委任、重新委任及罷免本公司外聘核數師向董事會提供推薦意見，並審核及監控彼等之獨立性及客觀性以及審核程序之有效性;
- ii) 監察本公司中期及全年之完整性綜合財務報表、報告及賬目與及季度報告之真實性，以及審閱上述各項所載任何重大財務報告判斷；及
- iii) 審閱及確保本公司財務監控、內部監控及風險管理系統之有效性。

審核委員會須至少每年開會兩次。本公司編製及於審核委員會召開會議至少3日前提交給審核委員會成員一份資料備忘錄，當中包括會議的有關資料。審核委員會成員謹慎地審閱資料備忘錄，並於會議上與本公司合資格會計師、公司秘書及其他高級管理層人員（如有需要）討論。

年內，審核委員會已舉行4次會議，本公司的高層管理人員均有出席，而審核委員會成員在本公司的高層管理人員缺席之情況下曾經三次與外聘核數師會晤進行討論。公司秘書草擬的會議記錄已於每次會議後一段合理時間內交予審核委員會傳閱，以便給予意見。公司秘書已經存置全部會議記錄，有關副本亦已送交審核委員會成員以作記錄。

各委員會成員於該等會議之出席率如下:

獨立非執行董事	出席率
王建國	3/4 (75%)
莫漢生	4/4 (100%)
汪滌東 (主席)	4/4 (100%)

## BOARD COMMITTEES (cont'd)

The work performed by the Audit Committee in the year 2005 are summarized below:

- i) Reviewed and considered the Group accounts and financial statements for the year ended 31st December, 2004, and interim and quarterly accounts for 2005;
- ii) Considered the re-appointment of the External Auditors. Reviewed and discussed with the External Auditors in respect of the audit fee for 2004, interim review fee and audit fee for 2005; the terms of the engagement letters; the scope and process of audit as well as the financial statements for the year ended 31st December, 2004;
- iii) Reviewed and assessed the adequacy and effectiveness of the Group's financial control, internal control and risk management systems;
- iv) Reviewed the Corporate Governance Report and monitored the progress of the compliance of the Code;
- v) Reviewed and adopted the non-audit services policy for the engagement of the External Auditors to perform non-audit services;
- vi) Reviewed and revised the terms of reference of the Audit Committee to align with the Code; and
- vii) Prepared and submitted to the Board an Audit Committee Report detailing the work performed by the Audit Committee during the year and presented its findings and made recommendations for considerations by the Board.

On 7th March, 2006, the Audit Committee also reviewed the Group accounts and draft financial statements for the year ended 31st December, 2005.

## 董事委員會 (續)

審核委員會於二零零五年履行之工作概述如下:

- i) 審閱及省覽本集團截至二零零四年十二月三十一日止年度之賬目及財務報表，以及二零零五年之中期及季度賬目；
- ii) 考慮續聘外聘核數師。與外聘核數師審閱及討論二零零四年核數費用、二零零五年之中期審閱費用及核數費用；委聘書之條款；核數之範圍及程序，以及截至二零零四年十二月三十一日止年度之財務報表；
- iii) 審閱及評估本集團之財務監控、內部監控及風險管理系統是否足夠及有效；
- iv) 審閱企業管治報告書及監控遵循守則之程序；
- v) 審閱及採納委聘外聘核數師提供非核數服務之非核數服務政策；
- vi) 審閱及修訂審核委員會之職權範圍書，以符合守則之規定；及
- vii) 編製並向董事會送呈審核委員會報告，當中詳列審核委員會於年內已履行之工作，以及呈交其審核結果及向董事會提供建議以作考慮。

於二零零六年三月七日，審核委員會亦已審閱本集團之賬目及截至二零零五年十二月三十一日止年度之財務報表的草稿。

## BOARD COMMITTEES (cont'd)

*Remuneration Committee*

The Remuneration Committee was established in June 2005 with the role to assist the Board in reviewing and determining the framework or broad policy for remuneration package of the Directors and senior management, overseeing any major changes in employee benefit structures and considering other topics as defined by the Board with principal responsibilities as below:

- i) setting, reviewing and recommending to the Board for approving the Group's overall remuneration policy and strategy;
- ii) setting, reviewing and approving performance-based remuneration and individual remuneration packages for the Executive Directors and senior management including terms and conditions of employment and any changes to the packages due to loss or termination of office, and dismissal or removal for misconduct; and
- iii) recommending to the Board of the remuneration of Non-executive Directors.

The Remuneration Committee should consult the Chairman and/or CEO about its proposals on remuneration of other Executive Directors and seek internal and external professional advices if considered necessary.

The Remuneration Committee's terms of reference can be found on the Group's website.

All the members of the Remuneration Committee are INED who are:

Mr. Wang, Jian-guo  
Mr. Mok, Hon-sang  
Mr. Wong, Tik-tung (*chairman*)

The INED are not entitled to any other emoluments for holding office as the INED except for their entitlement of an annual remuneration of HK\$100,000 determined by the Board subject to annual review with reference to the prevailing market condition. No share option scheme is adopted by the Company.

## 董事委員會 (續)

*薪酬委員會*

薪酬委員會於二零零五年六月成立，其角色為協助董事會檢討及釐定董事及高級管理層之薪酬配套架構或具體政策，監督僱員福利架構之任何重大變動，以及考慮董事會釐定之其他事項。薪酬委員會之主要職責如下：

- i) 製訂、檢討及建議董事會批准本集團之整體薪酬政策及策略；
- ii) 製訂、檢討及批准以表現為考慮基礎之薪酬與及執行董事及高級管理層之個別薪酬配套，包括僱傭條款及條件，以及因離職或終止受僱及因行為不當而遭解散或罷免所產生之薪酬配套變動；及
- iii) 就非執行董事之薪酬向董事會提供意見。

薪酬委員會須就其他執行董事之薪酬建議諮詢主席及／或行政總裁，並在認為有需要時尋求內部及外界專業意見。

有關薪酬委員會之職權範圍的詳情，可瀏覽本集團網頁。

薪酬委員會全體成員均為獨立非執行董事，彼等為：

王建國先生  
莫漢生先生  
汪滌東先生 (主席)

獨立非執行董事除每年享有 100,000 港元之酬金外，並無就擔任獨立非執行董事收取任何其他酬金。有關薪金須由董事會參考當時市況每年予以檢討。本公司並無採納任何購股權計劃。



## BOARD COMMITTEES (cont'd)

In view of its new establishment in June 2005, the Remuneration Committee was not called upon to determine any changes of existing remuneration policy. In March 2006, the Remuneration Committee held a meeting to recommend the remuneration for the INED in respect of year 2006 to the Board for approval.

*Nomination Committee*

No Nomination Committee is established in view of the current business size of the Company. Currently, the Board is responsible for reviewing its composition, identifying and selecting suitable Board members, assessing independence of the INED, considering appointment or re-appointment of the Directors and succession planning for the Directors. The Company has set out in the circular dated 8th April, 2005 why the Board considered an individual independent and should be elected as an INED at the 2005 annual general meeting. In 2005, the Board met 2 times in person or through telephone conference, with one occasion to consider re-appointment of the Directors at the 2005 annual general meeting and the other one to approve the segregation of roles of the Chairman and CEO. Individual attendance of each Board member at these meetings is as follows:

Directors	Attendance
<i>Executive Directors</i>	
Thomas Lau, Luen-hung ( <i>Chairman</i> )	1/2 (50%)
Joseph Lau, Luen-hung ( <i>Chief Executive Officer</i> )	1/2 (50%)
<i>Independent Non-executive Directors</i>	
Wang, Jian-guo	1/2 (50%)
Mok, Hon-sang	2/2 (100%)
Wong, Tik-tung	2/2 (100%)

## MANAGEMENT FUNCTIONS

The Executive Directors define clear directions on powers of management and delegate daily management and administration functions to management. The functions reserved to the Board and those delegated to senior management are reviewed from time to time. The Company would formalize the division of responsibility between the Board and the management when the size of the Group justifies such division.

## 董事委員會 (續)

鑑於薪酬委員會於二零零五年六月新成立，故並無召開會議以變更任何現行的薪酬政策。於二零零六年三月，薪酬委員會舉行會議，就獨立非執行董事之二零零六年度薪酬提供意見，供董事會批准。

*提名委員會*

鑑於本公司之現時業務規模，本公司並無成立提名委員會。目前，董事會負責檢討其組成，物色及甄選合適之董事會成員，評估獨立非執行董事之獨立性，考慮委任或重新委任董事，以及制訂董事之接任安排。本公司已於二零零五年四月八日之通函內載列董事會考慮獨立人士應於二零零五年股東週年大會獲選為獨立非執行董事之原因。於二零零五年，董事會已舉行兩次以親身出席或以電話形式舉行的會議，其中一次為考慮於二零零五年股東週年大會重新委任董事，而另一次則為批准劃分主席及行政總裁角色。各董事會成員於該等會議之出席率如下：

董事	出席率
<i>執行董事</i>	
劉鑾鴻 (主席)	1/2 (50%)
劉鑾雄 (行政總裁)	1/2 (50%)
<i>獨立非執行董事</i>	
王建國	1/2 (50%)
莫漢生	2/2 (100%)
汪滌東	2/2 (100%)

## 管理層職能

執行董事就管理層的權力，給予清晰的指引，並指派管理層處理日常管理及行政職能。董事會保留及委派予高級管理層之職能不時予以檢討。倘本集團發展至具董事會與管理層須精確劃分的規模，本公司將製訂該等職責劃分。

## EXTERNAL AUDITORS

Messrs. Deloitte Touche Tohmatsu (“Deloitte”) has been re-appointed as the External Auditors by shareholders at the 2005 annual general meeting of the Company. In order to maintain the independence and objectivity of the External Auditors (which for these purposes include any entity under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally), they will not be engaged for non-audit work unless which has been pre-approved by the Audit Committee. Apart from the review carried out by Deloitte on financial statements of the Group for the six month ended 30 June 2005, the Group did not engage them for any other service. The interim review fee was HK\$100,000.

The Audit Committee has resolved to recommend the re-appointment of Deloitte for statutory audits for the financial year 2006 at a fee to be agreed. This resolution has been endorsed by the Board and is subject to final approval and authorization by the shareholders at the 2006 annual general meeting.

The fee of Deloitte, including review of interim results but excluding disbursement, for the year ended 31st December, 2005 was HK\$453,000, an approximate 38.11% increase over last year. Deloitte claimed that the substantial increase was due to the following reasons:

- i) attendance to the substantial changes to accounting standards effective for accounting periods commencing 1st January, 2005;
- ii) increase of volume and depth of procedures required to perform audit engagement due to new auditing standards effective for accounting periods commencing 15th December, 2004; and
- iii) increase of staff costs due to increase in charge out rates.

The Audit Committee considered that the increase in audit fee was on the high side and had held several rounds of discussion with Deloitte. Eventually, the fee had been reduced. In order to meet the reporting deadline, prior to the issuance of the financial statements, the Audit Committee accepted Deloitte’s fee, as reduced, reluctantly. In respect of the audit fee for the year 2006, the Audit Committee will discuss with Deloitte at an earlier date and may consider any other alternatives which are beneficial to the shareholders of the Company.

## 外聘核數師

德勤•關黃陳方會計師行（「德勤」）已獲股東於本公司二零零五年股東週年大會上續聘為外聘核數師。為保持外聘核數師之獨立性及客觀性（就此而言包括與核數師行共同控制、擁有或管理之任何實體，或合理或知情第三方在接獲一切相關資格後合理認為在國家或國際方面屬核數師行一部份之任何實體），其將不會受聘進行非核數工作，除非已獲審核委員會事先批准。除對本集團截至二零零五年六月三十日止六個月之財務報表進行審閱外，本集團並無委聘德勤提供任何其他服務。中期審閱費用為 100,000 港元。

審核委員會已議決推薦續聘德勤進行二零零六年財政年度之法定審核工作，惟費用待定。此項決議案已獲董事會認可，並須待股東於二零零六年股東週年大會上最後批准及授權。

德勤於截至二零零五年十二月三十一日止年度收取之費用（包括審閱中期業績，惟不包括開銷）為 453,000 港元，較去年增加約 38.11%。德勤表示費用大幅增加乃由於下列原因所致：

- i) 自二零零五年一月一日開始之會計期間起，會計政策出現重大變動；
- ii) 由於新核數準則自二零零四年十二月十五日開始之會計期間生效，導致履行審核工作之規定程序增加及更為深入；及
- iii) 支出增加導致員工成本增加。

審核委員會認為，核數費用增幅頗高，並就此與德勤進行多次磋商，而費用最終亦得以削減。為應付報告限期，審核委員會於刊發財務報表前無奈接納德勤經削減之費用。審核委員會已就二零零六年度之核數費用提早與德勤磋商，並可能考慮切合本公司股東利益之其他方案。

## SHAREHOLDERS' RIGHTS

The Company is committed to safeguard shareholders' interests and encourage shareholders to attend the annual general meeting for which at least 21 days' notice is given. The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communication between the Board and the shareholders. Other than the Chairman who was under other urgent commitments, the Directors, including the INED were available to answer questions at the 2005 annual general meeting. Chairman of the Audit Committee and the External Auditors were also available at the meeting to address shareholders' queries.

Procedures for and the rights of shareholders to demand a poll in compliance with the requirements about voting by poll as specified in the Listing Rules were disclosed in all the Company's circulars to shareholders in 2005. Separate resolutions for each substantially separate issue were proposed by the chairman at the 2005 annual general meeting. The level of proxies lodged on each resolution, and the balance for and against the resolution, after it had been dealt with on a show of hands were indicated by the chairman of that meeting. Also, chairman at the commencement of that meeting explained the procedures for demanding a poll by shareholders before putting a resolution to the vote on a show of hands, and the detailed procedures for conducting a poll and then answer of any questions from shareholders whenever voting by way of a poll is required.

Statutory announcements, financial and other information of the Group are made available on the Company's website, which is regularly updated.

Shareholders may put their enquires to the Board and also put forward proposals at general meetings by way of a written notice addressed to the Company Secretary at the registered office.

## 股東權利

本公司銳意保障股東權益，並鼓勵彼等出席股東週年大會。股東週年大會通告須給予最少 21 日通知。鑑於股東週年大會為董事會與股東直接溝通之主要機會，故本公司視股東週年大會為一項重要活動。除主席因其他緊急要事而未能出席本公司二零零五年股東週年大會外，董事（包括獨立非執行董事）均已出席有關大會並回答質詢。審核委員會主席及外聘核數師亦已出席大會並解答股東提問。

股東根據上市規則訂明投票方式表決之規定要求以投票方式表決之程序及權利，已載於本公司於二零零五年寄發予股東之所有通函內。涉及各項重大個別事項之個別決議案，已由二零零五年股東週年大會會議主席於會上提呈。經舉手表決後，提交各決議案之受委代表數目及投票贊成及反對決議案之比數，已由會議主席於該大會宣佈。此外，會議主席於該大會開始時，已解釋股東於提呈決議案以舉手方式表決前要求以投票方式表決之程序，以及進行表決時之詳細程序，並在提出要求以投票方式表決時解答股東之任何提問。

本集團之法定公佈、財務及其他資料可於本公司網頁瀏覽，並定期更新。

股東可向董事會作出提問，並以書面通知方式於註冊辦事處向公司秘書提交於股東大會提呈之建議。

## FINANCIAL REPORTING

The management provides explanation, information and progress update to the Board for it to make an informed assessment of the financial and other issues put before the Board for approval and consideration.

Throughout the year, the Directors have selected appropriate accounting policies and applied them consistently. The Directors acknowledge their responsibilities for preparing the financial accounts of the Group which give a true and fair view and are in accordance with generally accepted accounting standards published by the Hong Kong Institute of Certified Public Accountants. A statement by the External Auditors about their reporting responsibilities for the year ended 31st December, 2005 is set out on page 45.

The External Auditors did not report for the year ended 31st December, 2005 that there were any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Company aims to present a clear, balanced and understandable assessment of its financial position and prospects. Financial results are announced as early as possible, with interim report and annual report as well as other price-sensitive announcements and financial disclosures published as required under the Listing Rules.

## INTERNAL CONTROL

The Board recognizes its responsibility for the establishment, maintenance and review of the internal control system that provides reasonable assurance on the reliability and integrity of financial and operational information, effective and efficient operations, safeguarding of assets and compliance with laws and regulations. The internal control system is designed to manage rather than eliminate all risks of failure while its goal is to provide reasonable, not absolute, assurance regarding the achievement of organizational objectives. The Audit Committee is responsible to assist the Board for the annual review of the effectiveness of the internal control system of the Group.

With respect to procedures and internal control for the handling and dissemination of price-sensitive information, the Company is aware of its obligations under the Listing Rules and the overriding principle that information which is expected to be price-sensitive should be announced promptly after it becomes known to and/or is the subject of a decision by the Directors or senior management of the Company, and conducts its affairs with close regard to the "Guide on disclosure of price-sensitive information" issued by the Stock Exchange in 2002.

## 財務報告

管理層向董事會提供解釋、資料及最新進度，讓董事會就財務及其他事項於提交董事會審批及考慮前，可作出知情評估。

董事於本年度一直選取合適之會計政策並貫徹應用。董事確認彼等之責任為編製本集團之財務賬目，賬目須真實而公平，並根據香港會計師公會公佈而普遍被採用之香港會計準則。外聘核數師就彼等截至二零零五年十二月三十一日止年度之報告責任之聲明，載於第 45 頁。

外聘核數師並無就截至二零零五年十二月三十一日止年度有任何重大不確定因素涉及可能對本集團持續經營能力存疑之事件或狀況作報告。

本公司旨在對其財務狀況及前景作出清晰、平衡及可理解評估之呈報。財務業績以盡早發佈的基準公佈，而中期報告、年報、其他股價敏感資料公佈及財務披露則根據上市規則之規定公佈。

## 內部監控

董事會確認其責任為製訂、維持及檢討內部監控制度，就財務及營運資料之可靠性及綜合性、營運效率及效能、資產保障以及法例及法規遵守方面提供合理確認。內部監控制度乃為管理（而非消除）一切失責風險而設，旨在為達致組織的目標而提供合理（而非絕對）確定保障。審核委員會負責協助董事會對本集團內部監控制度進行年度檢討及效用評估。

就處理及公佈股價敏感資料之程序及內部監控方面，本公司知悉根據上市規則之責任，並知悉當董事或本公司的高層管理人員得悉股價敏感資料及／或彼將據該等資料作出業務決定時，預期屬股價敏感資料須即時公佈之優先原則。本公司須密切按照聯交所於二零零二年頒佈之「股價敏感資料披露指引」處理其事務。

## INTERNAL CONTROL (cont'd)

To ensure sufficient resources provided to the Audit Committee, information and assessment of financial and internal controls, risk management systems were sent to the Audit Committee members. Internal Control Questionnaires (ICQ) explaining internal control procedures of the Group was prepared for the committee members' comments in July 2005.

In December 2005, the Audit Committee reviewed the financial control, internal control and risk management systems of the Company for the year ended 31st December, 2005. It considered the internal control systems effective and adequate as they allowed the Board to monitor the Group's overall financial position and to provide reasonable assurance that assets are safeguarded against unauthorized use or material financial misstatement; transactions were executed in accordance with management's authorization; and the accounting records were reliable for preparing financial information used within the business or for publication and reflecting accountability for assets and liabilities. Review will be conducted on the request of any Audit Committee members, the Company Secretary, the Qualified Accountant and/or the Directors.

The Audit Committee elaborated in its report the careful management of risk as a key management activity and concluded that the business risks, which may be strategic, operational, reputation-related or financial should be understood and visible. The Board acknowledges the areas of concern and would devote to in-depth study with senior management in each situation about the level of acceptable risk and controls.

The Company has complied with the code provisions on internal control during the year in view of the effectiveness and adequacy of the internal control system as below:

- establishment of a framework of prudent and effective controls to enable risks to be identified, evaluated and managed;
- ultimate responsibility of the Board for reviewing the effectiveness of the system of the internal control system; and
- review of the system of the internal control system by the Audit Committee to ensure the effectiveness of such control.

## 內部監控（續）

為確保審核委員會獲得足夠資源，財務及內部監控、風險管理系統之資料及評估已送交審核委員會成員。於二零零五年七月已編製解釋本集團內部監控程序之內部監控問卷（ICQ），以供委員會成員批閱。

於二零零五年十二月，審核委員會已審閱本公司截至二零零五年十二月三十一日止年度之財務監控、內部監控及風險管理系統。審核委員會認為內部監控系統屬有效及足以讓董事會監察本集團之整體財務狀況及可合理保證資產不會被未授權使用或虛報重大財務資料；交易乃根據管理層之授權簽立；及會計記錄能可靠地編製業務內使用或作刊發之財務資料，並反映資產及負債之可說明性。在任何審核委員會成員、公司秘書、合資格會計師及／或董事要求之情況下，可進行審閱。

審核委員會於其報告中闡明審慎之風險管理為主要管理活動，並認為業務風險（可能涉及策略、營運、聲譽或財務）須為明確及清晰。董事會明瞭所關注之範圍，並與高級管理層致力對各項情況之可接受風險及監控進行深入研究。

就內部監控系統之有效性及足夠性而言，本公司已於年內遵守內部監控之守則條文，詳情如下：

- 設立審慎有效監控之架構，以確保能識別、評估及管理風險；
- 董事會審閱內部監控系統有效性之最終責任；及
- 審核委員會審閱內部監控系統以確保有關監控之有效性。

## INTERNAL CONTROL (cont'd)

The Company may consider to establish an Internal Audit function when the size of the Group justifies such establishment with the key tasks as below:

- to review all aspects of the Group's activities and internal controls with unrestricted right of access and direct access to any levels of management as considered necessary;
- to conduct comprehensive audits of the practices and procedures, income and expenditures, and internal controls of all business units of the Group on a regular basis; and
- to conduct special reviews and investigations of areas of concern identified by management for corrective actions.

## INVESTOR RELATIONS

Accountability and transparency are indispensable for ensuring good corporate governance and, in this regard, timely communication with the shareholders, including institutional investors, is crucial. The Company manages investor relations systematically as a key part of its operations and continues to promote investor relations and enhance communications with the investors.

The Company maintains a company website ([www.chicheung.com](http://www.chicheung.com)) to make corporate information available on the internet to facilitate its communication with shareholders and the investing public on corporate governance structure, policies and systems, biographical data of the Directors and senior management as well as terms of reference of Board committees.

The Company welcomes suggestions from investors and shareholders, and invites them to share their views and suggestions by contacting the investor relations team at [investor.relations@chineseestates.com](mailto:investor.relations@chineseestates.com).

## 內部監控（續）

倘本集團之規模切合就以下主要工作訂立內部稽核職能，則本公司可能考慮製訂有關職能如下：

- 檢討本集團各方面之活動及內部監控，具備無限制之權利在認為必須下接觸及直接接觸任何管理階層；
- 定期對本集團之所有業務單位進行全面之準則及程序、收支及內部監控審核；及
- 對管理層就修正行動而認定之有關範疇進行特殊檢討及調查。

## 投資者關係

問責制及透明度乃確保良好企業管治之不二法門。就此，與股東（包括機構投資者）定時溝通更屬不可或缺之部份。本公司有系統地處理投資者關係，作為其運作之主要部份，並持續推廣投資者關係及加強與投資者之溝通。

本公司設有公司網頁（[www.chicheung.com](http://www.chicheung.com)），使股東可透過互聯網取得公司資料，加強與股東之溝通，並讓公眾投資者了解企業管治架構、政策及制度、董事及高級管理層履歷，以及董事委員會之職權範圍。

本公司歡迎投資者及股東向我們提出意見，並誠邀彼等聯絡投資者關係部，分享彼等之意見及建議。投資者關係部之電郵為 [investor.relations@chineseestates.com](mailto:investor.relations@chineseestates.com)。

### CONCLUSION

The Company believes that corporate governance principles and practices must remain relevant in a changing world. Ongoing effort will be put to review its corporate governance practices from time to time so as to accommodate the changing circumstances. The Company will try its best to maintain, strengthen and improve the standard and quality of its corporate governance.

### 總結

本公司相信在瞬息萬變之世界，企業管治原則及守則將不可或缺，而本公司亦將持續不時檢討其企業管治守則，以符合多變之情況。本公司將致力維持、加強及改善其企業管治標準及質素。