

## Corporate Governance Report 企業管治報告書

The Company is committed to the establishment of good corporate practices and procedure. The corporate governance principles of the Company emphasize a quality board, sound internal control, transparency and accountability to all shareholders.

The Company has adopted 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 became effective on 1st January, 2005 and in replacement of the Code of Best Practice, as its own code of corporate governance practices. To ensure compliance with the New CG Code, the Board has undertaken to review and propose the necessary amendments to the Articles of the Company to bring the constitution of the Company in alignment with certain provisions of the New CG Code. A general meeting was held to amend the Articles of the Company so that (i) any director appointed to fill a casual vacancy or as an addition to the Board shall be subject to re-election by Shareholders at next general meeting of the Company (in the case of filling a casual vacancy) or the next following annual general meeting of the Company (in the case of an addition to their number); and (ii) every director shall be subject to retirement by rotation at least once every three years.

Accordingly, in the opinion of the directors, the Company has met the code provisions set out in the New CG Code contained in the Appendix 14 of the Listing Rules.

### DIRECTORS' SECURITIES TRANSACTIONS

During the year, 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 its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all the directors of the Company, the directors complied throughout the year in review with the required standards as set out in the Model Code.

### THE BOARD OF DIRECTORS

The Board formulates overall strategy of the Group, monitors its financial performance and maintains effective oversight over the management. The Board members are fully committed to their roles and have act in good faith to maximize the shareholders' value in the long run, and have aligned the Group's goal and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

本公司致力設立良好之企業常規及程序。本公司之企業管治原則著重高質素董事會、穩健內部控制、透明度及對全體股東之問責性。

本公司已採納載於香港聯合交易所有限公司證券上市規則（「上市規則」）附錄十四所載企業管治常規守則（「新企業管治守則」）之守則條文，該守則於二零零五年一月一日生效，並取代最佳應用守則作為本公司本身之企業管治常規守則。為確保遵守新企業管治守則，董事會已進行檢討本公司之細則，並建議對其作出必要修訂，使本公司之組織章程與新企業管治守則之若干條文一致。本公司已舉行股東大會以修訂本公司之細則，致使(i)任何獲委任以填補臨時空缺或作為董事會新成員之董事須由股東於本公司下屆股東大會（倘屬填補臨時空缺）或本公司下屆股東週年大會（倘屬董事人數以外之新成員）上重選；及(ii)每名董事須至少每三年輪席告退一次。

因此，董事認為，本公司已符合載於上市規則附錄十四所載新企業管治守則之守則條文。

### 董事之證券交易

於年內，本公司已採納上市規則附錄十所載上市公司董事進行證券交易的標準守則（「標準守則」），作為本公司本身有關董事進行證券交易之行為守則。根據向本公司全體董事所作之明確查詢，於整年內，董事一直遵守標準守則所載之規定準則。

### 董事會

董事會制定本集團之整體策略、監察其財務表現及保持對管理層之有效監督。董事會成員均盡忠職守及真誠行事，以增加股東長遠最大價值，以及將本集團之目標及方向與現行經濟及市場環境配合。日常運作及管理則委託管理層負責。

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The Board met regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. All directors are kept informed on timely basis of major changes that may affect the Group's business, including relevant rules and regulations. The directors enable, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the directors to assist the relevant directors to discharge their duties.

During the year, four full board meetings were held and the attendance of each director is set out as follows:

Name of director	董事姓名	Number of attendance 出席次數
Chan Kwok Keung, Charles	陳國強	1/4
Yap, Allan	Yap, Allan	4/4
Chau Mei Wah, Rosanna	周美華	1/4
Chan Ling, Eva	陳玲	4/4
Li Bo	李波	0/4
David Edwin Bussmann	卜思問	2/4
Wong King Lam, Joseph	黃景霖	2/4
Sin Chi Fai	冼志輝	4/4

Board minutes are kept by the Company Secretary of the Company and are sent to the directors for records and are open for inspection by the directors.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company does not have a separate Chairman and Chief Executive Officer and Dr. Chan Kwok Keung, Charles currently holds both positions. This deviates from the provision A.2.1. of the New CG Code that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. The Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies.

董事會於整年內定期舉行會議，以討論本集團之整體策略以及業務及財務表現。全體董事均及時獲悉可能影響本集團業務之重大變動，包括有關規則及規例。董事可按合理要求，在適當之情況下尋求獨立專業意見，費用由本公司承擔。董事會須議決另外為董事提供適當獨立專業意見，以協助有關董事履行其職責。

年內已舉行四次全體董事會會議，各董事之出席率載列如下：

董事會會議紀錄由本公司之公司秘書備存，並會發送全體董事以作紀錄，亦可供董事查閱。

## 主席及行政總裁

本公司並無分開主席及行政總裁，而陳國強博士目前兼任兩個職位。此偏離新企業管治守則之條文A.2.1.，該條文規定主席及行政總裁的角色應予以區分及不應由一人兼任。董事會相信一人兼任主席及行政總裁之職務可讓本集團擁有強勢貫徹之領導，並能更有效計劃及落實長遠之業務策略。

## BOARD COMPOSITION

The Board comprises five executive directors, being Dr. Chan Kwok Keung, Charles, Dr. Yap, Allan, Ms. Chau Mei Wah, Rosanna, Ms. Chan Ling, Eva and Mr. Li Bo, two alternate directors, being Mr. Chan Kwok Hung (an alternate to Dr. Chan Kwok Keung, Charles) and Mr. Lui Siu Tsuen, Richard (an alternate to Dr. Yap, Allan), and three independent non-executive directors, being Mr. David Edwin Bussmann, Mr. Wong King Lam, Joseph and Mr. Sin Chi Fai. The directors are considered to have a balance of skill and experience appropriate for the requirements of the business of the Company, details of the directors are shown on pages 13 to 15 under the section of Profile of Senior Management.

## APPOINTMENTS, RE-ELECTION AND REMOVAL

The Company has not fixed the term of appointment for non-executive directors. However, they are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in A.4.1. of the New CG Code which requires that non-executive directors be appointed for a specific term. The Board has discussed and concluded that the current practice of appointing non-executive directors without specific terms but otherwise subject to rotation and re-election by shareholders was fair and reasonable, and does not intend to change the current practice at the moment.

The Company had not established a nomination committee and retained the functions to the Board. The directors from time to time identify individual suitable to be a Board member and make recommendation to the Board. The main criteria in selecting a candidate are whether if he can add value to the management through his contributions in the relevant strategic business areas and if the appointment results a strong and diverse Board.

## RESPONSIBILITIES OF DIRECTORS

Every newly appointed director received an information package from the Company on the first occasion of his appointment. This information package is a comprehensive, formal and tailored induction on the responsibilities and ongoing obligations to be observed by a director. The management of the Company conducted briefing on their responsibilities and obligations under the laws and applicable regulations such as Listing Rules and Company Ordinance as was necessary.

## 董事會組成

董事會由五名執行董事陳國強博士、Yap, Allan 博士、周美華女士、陳玲女士及李波先生、兩名替任董事陳國鴻先生(陳國強博士之替任董事)及呂兆泉先生(Yap, Allan 博士之替任董事)，及三名獨立非執行董事卜思問先生、黃景霖先生及冼志輝先生組成。董事被視為根據本公司業務而具備適當所需技巧和經驗，董事詳情載於第13至15頁高級管理層簡介一節。

## 委任、重選及罷免

本公司並無固定非執行董事之任期。然而，彼等須於本公司之股東週年大會上輪席告退及膺選連任。新企業管治守則之條文A.4.1規定非執行董事應獲委任固定年期。董事會已討論並作結論，認為現時委任非執行董事並無訂明特定任期而須輪席告退及由股東重選之慣例屬公平合理，故目前無意改變現行之慣例。

本公司並無成立提名委員會，其職能保留予董事會負責。董事將不時物色適合人選出任董事會成員並向董事會作出建議。甄選人選之主要準則為其能否透過對有關策略業務範疇之貢獻為管理層增值及委任會否令董事會更加強大及多元化。

## 董事之責任

每名新獲委任之董事均已於其首次獲委任時接獲本公司之一份資料。該份資料已全面包括有關董事應履行責任及持續義務之正式兼特為其而設之就任須知。本公司管理層已舉行簡介會，以簡介彼等於上市規則及公司條例等法例及適用規例下之責任及義務(如必要)。

## SUPPLY OF AND ACCESS TO INFORMATION

In respect of regular board and committee meetings, agendas and accompanying board papers were sent in full to all directors at least 3 days before the intended date of meetings. Board papers are circulated to the directors to ensure they have adequate information before the meeting for the ad hoc projects.

The management has the obligation to supply the Board and its committees with adequate information in a timely manner to enable it to make informed decisions. Where any director requires more information than is volunteered by the management, each director has separate and independent access to the issuer's senior management to make further enquires if necessary.

Minutes of the Board/committee meetings are kept by the Company Secretary and are open for inspection by directors.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration committee, which was set up on 26th April, 2005, comprises two independent non-executive directors and one executive director. The principal responsibilities of remuneration committee include formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive director and members of senior management. The overriding object of the remuneration policy is to ensure that the Group is enable to attract, retain, and motivate a high-calibre team which is essential to the success of the Group.

The remuneration committee held one meeting during the year 2005. The members and attendance of the meeting are as follows:

Name of member	成員姓名	Number of attendance	出席次數
Yap, Allan	Yap, Allan	1/1	1/1
Wong King Lam, Joseph	黃景霖	1/1	1/1
Sin Chi Fai	冼志輝	1/1	1/1

## 資料提供及使用

董事會及委員會定期會議之議程連同董事會文件應至少在擬舉行會議日期3日前送交全體董事。董事會文件供董事傳閱，以確保彼等於召開特別事項會議前獲得充足資料。

管理層有責任向董事會及其委員會提供充足之適時資料，以便董事能夠作出適宜決定。倘任何董事需要管理層提供其他額外(管理層主動提供以外)之資料，每名董事應有自行接觸發行人高級管理人員之獨立途徑，以再作進一步必要查詢。

董事會/委員會會議紀錄由公司秘書備存，並可供董事查閱。

## 董事及高級管理層酬金

於二零零五年四月二十六日設立之薪酬委員會由兩名獨立非執行董事及一名執行董事組成。薪酬委員會之主要責任包括制定薪酬政策、檢討全年薪酬政策並向董事會作出建議，及釐定執行董事及高級管理人員之薪酬。薪酬政策之首要目的為確保本集團有能力吸引、挽留及推動高質素隊伍，而此乃促使本集團成功之關鍵。

薪酬委員會於二零零五年內已舉行一次會議。成員及會議出席率如下：

In order to attract, retain, and motivate executives and key employees serving for the Group, the Company has adopted a share option scheme in 2002. Such incentive scheme enables the eligible persons to obtain an ownership interest in the Company and thus to rewards to the participants who contribute to the success of the Group's operation.

Details of the remuneration of Directors are set out in note 14 to the financial statements and details of 2002 share option scheme are set out in the report of director and note 34 to the financial statements.

### ACCOUNTABILITY AND AUDIT

The Board presents a balanced, clear, and comprehensible assessment of the Company's performance, position, and prospects.

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

The directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31st December, 2005, the directors have:

1. selected suitable accounting policies and applied them consistently;
2. approved adoption of all HKFRSs;
3. made judgments and estimated that are prudent and reasonable; and
4. have prepared the accounts on the going concern basis.

為吸引、挽留及推動行政人員及主要僱員為本集團服務，本公司已於二零零二年採納購股權計劃。該獎勵計劃讓合資格人士可取得本公司之擁有權權益，因而獎勵對本集團業務成功作出貢獻之參與者。

董事薪酬詳情載於財務報表附註14，而二零零二年購股權計劃詳情則載於董事會報告及財務報表附註34。

### 問責及審核

董事會應平衡、清晰及全面地評核本公司之表現、狀況及前景。

管理層向董事會提供有關解釋及資料，以便董事會就提呈董事會批准之財務及其他資料，作出知情之評核。

董事負責監督各財政期間賬目之編製，以就本集團之財務狀況及該期間之業績與現金流量提供真實及公平之觀點。於編製截至二零零五年十二月三十一日止年度之賬目時，董事已：

1. 選擇並貫徹應用合適之會計政策；
2. 批准採納所有香港財務報告準則；
3. 作出審慎合理之判斷及估計；及
4. 按持續經營基準編製賬目。

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## INTERNAL CONTROLS

The Board has overall responsibility for the Group's internal control systems and through the Audit Committee, conducts reviews on the effectiveness of these systems at least annually, covering all material controls, financial, operational and compliance controls and risk management functions. The process used in reviewing the effectiveness of these internal control systems includes discussion with management on risk areas identified by management of the Company and principal divisions and review of significant issues arising from internal and external audits. The Company's internal control systems comprise a well established organizational structure and comprehensive policies and standards. Procedures have been designed to safeguard assets against unauthorized use or disposition, and to ensure compliance with applicable laws and regulations. The purpose of the Company's internal control is to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Company's objective.

## AUDIT COMMITTEE

The audit committee currently comprises all three independent non-executive directors of the Company, Mr. David Edwin Bussmann, Mr. Wong King Lam, Joseph and Mr. Sin Chi Fai as the members, who among themselves possess a wealth of management experience in the accounting profession, commercial and industrial. The audit committee is provided with sufficient resources to discharge its duties. The principal duties of the audit committee include the review of the Group's financial reporting, the nature and scope of audit review as well as the effectiveness of the system of internal control and compliance. It will also discuss matter raised by the external auditors to ensure that appropriate recommendations are implemented.

The audit committee held two meetings during the year 2005. The members and attendance of the meeting are as follows:

Name of member	成員姓名	Number of attendance	出席次數
David Edwin Bussmann	卜思問	2/2	2/2
Wong King Lam, Joseph	黃景霖	2/2	2/2
Sin Chi Fai	冼志輝	2/2	2/2

## 內部監控

董事會須整體負責本集團之內部監控系統，並透過審核委員會至少每年檢討一次該等系統之有效性，有關檢討應涵蓋所有重要之監控，包括財務監控、運作監控及合規監控以及風險管理功能。檢討該等內部監控系統之有效性所採用之程序包括與管理層就本公司管理層識別之風險範疇進行討論，以及內部及外部審核所產生重大問題之主要區分及檢討。本公司之內部監控系統之組織架構完善，並設有全面之政策及標準。程序乃為保障資產不會受未經授權之使用或處置及確保遵守適用法例及規例而設。本公司內部監控旨在提供合理（而非絕對）的保證，以防出現嚴重誤報或損失之情況，並管理（而非杜絕）運作系統故障及未能達致本公司目標之風險。

## 審核委員會

審核委員會現由本公司全體三名獨立非執行董事卜思問先生、黃景霖先生及冼志輝先生組成，各成員於會計專業、商業及工業擁有豐富管理經驗。審核委員會已獲提供充足資源以履行其職責。審核委員會之主要職責包括審閱本集團之財務申報、審核與審閱之性質及範圍以及內部監控系統之有效性及遵行情況。其亦會討論外聘核數師提出之事宜，以確保適當之建議得以實行。

審核委員會於二零零五年內已舉行兩次會議。成員及會議出席率如下：

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Full minutes of audit committee meetings will be kept by the Company Secretary of the Company. 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 with a reasonable time after the meeting.

## AUDITORS' REMUNERATION

Deloitte Touche Tohmatsu has been reappointed as the external auditors of the Company at the 2005 annual general meeting until the conclusion of the next annual general meeting.

During the year, the Company paid approximately HK\$4,200,000 to Deloitte Touche Tohmatsu in which approximately HK\$2,650,000 is for statutory audit for 2003 and 2004. The remaining was paid for the provision of non-statutory audit services for the Group as follow.

		Fee paid/payable 已付／應付費用 HK\$'000 港幣千元
Taxation Consultancy Fee	稅項顧問費	98
Very Substantial Acquisition	非常重大收購事項	330
Capital Reorganisation	股本重組	1,000
Others	其他	142
<b>Total</b>	<b>總計</b>	<b>1,550</b>

## DELEGATION BY THE BOARD

The Company has a formal schedule of matters specifically reserved to the Board and those delegated to management. There should be a clear division of responsibilities amongst committees and each of them should have a specific terms of reference.

The Board is responsible for determining the overall strategy and approving the annual business plan of the Group, the ensuring the business operations are properly planned, authorized, undertaken and monitored. All policy matters of the Group, material transactions or transactions where there is conflict of interests are reserved for the Board's decision.

The Board has delegated the day-to-day responsibility to the executive management.

審核委員會之完整會議紀錄將由本公司之公司秘書備存。審核委員會會議紀錄之初稿及最後定稿會在會議後一段合理時間內先後發送予委員會全體成員，初稿供成員表達意見，最後定稿作其紀錄之用。

## 核數師酬金

德勤•關黃陳方會計師行已於二零零五年股東週年大會上獲續聘為本公司之外聘核數師，直至下屆股東週年大會結束為止。

年內，本公司已向德勤•關黃陳方會計師行支付約4,200,000港元，其中約2,650,000港元為就二零零三年及二零零四年之法定審核服務之酬金，而餘額則為就向本集團提供以下非法定審核服務而支付之酬金。

## 董事會授權

本公司現有一個正規之計劃表，列載特別要保留予董事會及授權予管理層之事宜。各委員會之責任應有清晰分工，而彼等各自應具備特定職權範圍。

董事會負責釐定本集團整體策略及批准年度業務計劃，並確保業務運作已獲妥善策劃、批准、進行及監察。本集團所有政策事宜、重大交易或有利益衝突之交易，均保留予董事會作決定。

董事會已向行政管理層授權日常運作之責任。

**BOARD COMMITTEES**

The Board has prescribed sufficiently clear terms of reference for the audit committee and the remuneration committees.

The terms of reference of the audit committee and remuneration committee require the committees to report back to the board on their decisions or recommendations.

**COMMUNICATION WITH SHAREHOLDERS**

In respect of each substantially issue at a general meeting, a separate resolution has been proposed by the chairman of that meeting.

The chairman of the Board should attend the annual general meeting. This deviates from the provision E.1.2. of the New CG because the chairman of the Company had another engagement that was important to the business of the Company, he was unable to attend the annual general meeting held on 29th June, 2005.

**VOTING BY POLL**

The chairman of a meeting will ensure disclosure in the Company's circulars to shareholders of procedures for the rights of shareholders to demand a poll in compliance with the requirements about voting by poll contained in the Listing Rules. In accordance to Article 80 of the Articles of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

1. the chairman of the meeting; or
2. at least three members present in person (or, in the case of a shareholder being a corporation, by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
3. any member or members present in person (or, in the case of a shareholder being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

**董事委員會**

董事會已充分清楚訂明審核委員會及薪酬委員會之職權範圍。

審核委員會及薪酬委員會之職權範圍應規定該等委員會要向董事會匯報其決定或建議。

**與股東之溝通**

在股東大會上，大會主席已就每項重要事宜個別提呈決議案。

董事會主席應出席股東週年大會。此偏離新企業管治守則之條文E.1.2.，由於本公司主席須處理對本公司業務甚為重要之事務，故未能親身出席二零零五年六月二十九日舉行之股東週年大會。

**以點票方式表決**

大會主席應確保在本公司致股東通函內，已披露股東可要求以點票方式表決之權利之程序乃符合上市規則所載有關以點票方式表決之規定。根據本公司之細則第80條，於任何股東大會上提呈之決議案須以舉手投票方式表決，惟下列人士於(宣佈舉手投票之結果時或之前或撤回任何其他點票表決之要求時)要求以點票方式表決則除外：

1. 大會主席；或
2. 至少三名親身出席或委派代表出席而於當時有權於大會上投票之股東(或倘股東為公司，則為其正式授權之代表)；或
3. 任何親身出席或委派代表出席而佔不少於全體有權於大會上投票之股東之總投票權十分之一之股東(或倘股東為公司，則為其正式授權之代表)；或



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4. a member or members present in person (or, in the case of a shareholder being a corporation, by its duly authorized representative) or by proxy and holding shares in the company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

The chairman of a meeting 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 issuer should ensure that votes cast are properly counted and recorded.

The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of:

1. the procedure for demanding a poll by shareholders before putting a resolution to the vote on show of hands; and
2. the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required.

4. 任何親身出席或委派代表出席，並持有本公司股份之股東（或倘股東為公司，則為其正式授權之代表），而有關股份賦予持有人在大會上之投票權，總數佔不少於全部具備此權利股份之繳足總額之十分之一。

大會主席應在會上表明每項決議案之委任代表投票比例，以及贊成和反對票數（倘以舉手方式表決）。發行人應確保所有票數均適當點算及記錄在案。

大會主席應確保在會議開始時已解釋下列事宜：

1. 股東在決議案以舉手方式表決之前要求以點票方式表決之程序；及
2. 在要求以點票方式表決之情況下，以點票方式進行表決之詳細程序，然後回答股東提出任何問題。