

CORPORATE GOVERNANCE PRACTICES

The board of directors (the “Board”) of the Company believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. With effect from 1 January 2005, the Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the “CG Code”) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), except for the deviation in respect of the separation of the roles of chairman and chief executive officer.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors’ securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) of the Listing Rules. Based on specific enquiry of the Company’s directors, all directors have complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board of the Company currently comprises:

Executive Directors

Lai Pei Wor (*Chairman*)
Chan Yau Wah (*Deputy Chairman*)
Chung Yik Cheung, Raymond

Independent Non-Executive Directors

Kung Fan Cheong
Leung Man Kay
Li Yuen Kwan, Joseph

The Board of the Company is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders’ value.

企業管治常規

本公司董事會（「董事會」）相信企業管治對本公司之成功至為重要，並已採納多項措施以確保維持高標準的企業管治。自二零零五年一月一日起，本公司已採用並遵守香港聯合交易所有限公司（「聯交所」）證券上市規則（「上市規則」）的企業管治常規守則（「企管守則」）之要求，惟當中有關主席及行政總裁之角色區分是偏離該守則。

董事之證券交易

本公司已採納上市規則所載「上市發行人董事進行證券交易的標準守則」（「標準守則」）。根據本公司向董事作出特定查詢後，全體董事於整個年度均遵守標準守則所載之規定。

董事會

本公司董事會成員現包括：

執行董事

賴培和（主席）
陳友華（副主席）
鍾奕昌

獨立非執行董事

孔蕃昌
梁文基
李沅鈞

董事會共同負責監管本集團業務及各項事務的管理工作，並以提升股東之價值為目標。

The overall management of the Company's business is vested in the Board. The Board has delegated the day-to-day management of the Company's business to the Executive Directors, and focuses its attention on matters affecting the Company's overall strategic policies, finances and shareholders. These include financial statements, dividend policy, significant changes in accounting policy, the annual operating budget, certain material contracts, strategies for future growth, major financing arrangements and major investments, risk management strategies, treasury policies and group structure.

Each independent non-executive director has made an annual confirmation of independence to the Company and the Company considers these directors to be independent under Rule 3.13 of the Listing Rules. None of the Directors is related to each other.

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	Attendance of board meetings in 2005 二零零五年出席董事會會議次數	Attendance rate 出席率
Lai Pei Wor	賴培和	4/4	100%
Chan Yau Wah	陳友華	4/4	100%
Chung Yik Cheung, Raymond	鍾奕昌	4/4	100%
Kung Fan Cheong	孔蕃昌	4/4	100%
Leung Man Kay	梁文基	4/4	100%
Li Yuen Kwan, Joseph (appointed on 24 August 2005)	李沅鈞 (於二零零五年八月二十四日獲委任)	2/2	100%
Tsao Kwang Yung, Peter (deceased on 5 June 2005)	曹廣榮 (於二零零五年六月五日辭世)	1/1	100%

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 acted in good faith to maximize the shareholders' value in the long run, and has aligned the Group's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

本公司之整體業務由董事會負責管理。董事會授權執行董事管理本公司之日常業務，而董事會本身則專注處理可影響本公司整體策略方針、財務及股東的事項。其中包括財務報表、股息政策、會計政策之重大修改、每年經營預算、若干重大合約、未來發展策略、主要融資安排及重大投資、風險管理策略、庫務政策及集團結構。

各獨立非執行董事已根據上市規則第3.13條的規定，就其獨立性每年向本公司發出確認書，而本公司認為該等董事均屬獨立人士。董事之間互相概無任何關連。

年內，共舉行四次董事會會議，各董事之出席率如下：

董事會制定集團整體發展策略、監管其財務表現及對管理層維持有效監督。董事會成員均盡忠職守，並真誠行事，以盡量提升長遠股東價值，且將本集團之目標及方向，與當時經濟及市場狀況配合。日常營運及管理則交由管理層處理。

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of the chairman and the chief executive officer are not separate and are performed by Mr. Lai Pei Wor. Since the Board will meet regularly to consider major matters affecting the operations of the Company, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and believes that this structure will enable the Company to make and implement decisions promptly and efficiently.

INDEPENDENT NON-EXECUTIVE DIRECTORS

All the independent non-executive directors have contracts with the Company for a specified period of two years and are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws and the CG code.

REMUNERATION COMMITTEE

The Remuneration Committee was formed in January 2005 and will meet at least once a year. The Remuneration Committee consists of three members, two of whom are independent non-executive directors. The members of the Remuneration Committee are Mr. Kung Fan Cheong (Chairman), Mr. Leung Man Kay and Mr. Chung Yik Cheung, Raymond. In 2005, the Remuneration Committee held two meetings. The attendance record of each Remuneration Committee member is set out below.

Name of director	董事姓名	Attendance of Remuneration Committee meetings in 2005 二零零五年出席薪酬委員會會議次數	Attendance rate 出席率
Kung Fan Cheong	孔蕃昌	2/2	100%
Leung Man Kay	梁文基	2/2	100%
Chung Yik Cheung, Raymond (appointed on 27 September 2005)	鍾奕昌 (於二零零五年九月二十七日獲委任)	1/1	100%

主席及行政總裁

守則條文第A.2.1條規定，主席及行政總裁之角色應有區分，而且不應由一人同時兼任。

主席及行政總裁之角色並未區分，並由賴培和先生擔任。由於董事會將定期舉行會議，以考慮影響本公司營運之重大事宜，因此董事會認為此架構不會影響董事會與本公司管理層之間的權力和授權失衡，並相信此架構能使本公司快速及有效制訂及推行決策。

獨立非執行董事

所有獨立非執行董事均與本公司簽訂兩年年期之合約，並須按本公司之公司細則及企業管治守則，於本公司之股東週年大會上輪席退任和接受重選。

薪酬委員會

薪酬委員會於二零零五年一月成立，每年至少舉行一次會議。薪酬委員會擁有三名成員，其中兩名為獨立非執行董事。薪酬委員會成員為孔蕃昌先生（主席）、梁文基先生及鍾奕昌先生。薪酬委員會於二零零五年舉行兩次會議。薪酬委員會各成員之出席紀錄如下。

The major roles and functions of the Remuneration Committee are as follows:

- (a) 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;
- (b) to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of 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;
- (c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (d) to review and approve compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
- (e) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
- (f) to ensure that no director or any of his associates is involved in deciding his own remuneration;

薪酬委員會之主要角色及功能如下:

- (a) 就本公司董事及高級管理人員的全體薪酬政策及結構，以及就此制訂正規及具透明度之政策程序向董事會作出建議；
- (b) 獲授權給全體執行董事及高級管理人員釐定具體薪酬福利，包括非金錢利益、退休金權益及補償金額（包括任何因彼等喪失或終止聘用或委任之賠償）以及就非執行董事之酬金向董事會作出建議。委員會應考慮的因素包括同類公司所支付之薪酬、董事所付出之時間及職責、本集團其他職位之僱用條件，以及是否應按表現釐定薪酬等；
- (c) 透過經參考董事會不時釐定之公司目標，檢討及批准按表現釐定之薪酬；
- (d) 檢討及批准就離職或終止聘用或委任而應付任何執行董事及高級管理層之補償金金額，以確保該等補償金乃按有關合約條款釐定，而該補償金金額屬公平且不會對本公司造成過重負擔；
- (e) 檢討及批准就因董事行為失當而遭撤職或罷免而作出之賠償安排，以確保該等安排乃按有關合約條款釐定，若未能按有關合約條款釐定，有關賠償亦須合理適當；
- (f) 確保任何董事或其任何聯連人士不得自行釐定酬金；

- (g) to review and sanction new or amended salary, incentive bonus and retirement benefit policies for the Company and its subsidiaries which are substantial in their cost and impact on a significant proportion of employees; and
- (h) to review the Committee's terms of reference and its own effectiveness and recommend to the Board from time to time any necessary changes.

During the year 2005, the Remuneration Committee made recommendations to the Board on executive directors' remuneration packages and terms of employment. The Committee also formulated and evaluated the remuneration policy and structure for the directors and senior management of the Company.

NOMINATION OF DIRECTORS

The Board has not set up a nomination committee in relation to the appointment of directors. The directors of the Company are responsible for making recommendations to the Board for consideration and approval on nominations, appointment of directors and board succession, with a view to appoint individuals to the Board with relevant experience and capabilities so as to maintain and improve the competitiveness of the Company. The Board formulates the policy, reviews the size, structure and composition of the Board, and assesses the independence of its independent non-executive directors in accordance with the criteria prescribed under the Listing Rules and the CG Code. The appointment of new directors will be considered and approved by the Board and all new directors are subject to re-election by shareholders at the annual general meeting in the first year of their appointment pursuant to the Bye-laws of the Company.

- (g) 檢討及批准本公司及其附屬公司牽涉龐大成本及影響大部份僱員之新或經修訂薪酬、獎勵花紅及退休福利政策。

- (h) 檢討薪酬委員會之職權範圍及其本身效能，並不時就所須作出之改變向董事會提出建議。

於二零零五年，薪酬委員會就執行董事之薪酬福利及聘用條款向董事會提出建議。委員會亦制訂及評估本公司董事及高級管理人員之薪酬政策及結構。

董事提名

董事會並未就有關董事委任事宜成立提名委員會。本公司董事負責就董事提名及委任以及董事會延續事宜向董事會提出建議，以供考慮及批准，目的是委任具有相關經驗及能力的人士加入董事會，以維持及改善本公司的競爭力。董事會制訂政策，檢討董事會規模、結構及組成，並根據上市規則及企業管治守則所指明的準則評估其獨立非執行董事的獨立性。新董事之委任須經董事會考慮及批准，所有新董事須按本公司之公司細則於獲委任後的第一年於股東週年大會內接受股東重選。

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs. Ernst & Young, is set out as follows:

Services rendered	所提供之服務	Fees paid/payable
		HK\$ 已付/應付費用 港元
Audit Services	核數服務	1,250,000
Non-audit services i.e. taxation	非核數服務(即稅務)	150,000
		1,400,000

AUDIT COMMITTEE

The Company has complied with rule 3.21 of the Listing Rules in relation to the composition of the Audit Committee. The Audit Committee of the Company comprises three independent non-executive directors. The current members of the Audit Committee are Mr. Leung Man Kay, Mr. Kung Fan Cheong, and Mr. Li Yuen Kwan, Joseph. The Audit Committee is chaired by Mr. Leung Man Kay who has appropriate accounting professional qualifications. The Audit Committee shall meet at least twice a year. During the year 2005, the Audit Committee held two meetings. The attendance record of each Audit Committee member is set out below.

Name of director	董事姓名	Attendance of Audit Committee meetings in 2005	Attendance rate
		二零零五年出席 審核委員會之會議次數	出席率
Kung Fan Cheong	孔蕃昌	2/2	100%
Leung Man Kay	梁文基	2/2	100%
Li Yuen Kwan, Joseph (appointed on 24 August 2005)	李沅鈞 (於二零零五年八月二十四日獲委任)	1/1	100%
Tsao Kwang Yung, Peter (deceased on 5 June 2005)	曹廣榮 (於二零零五年六月五日辭世)	1/1	100%

The principal roles and functions of the Audit Committee include the review of the Group's financial statements and internal control procedures. It also acts as an important link between the Board and the Company's auditors in matters within the scope of the group audit.

核數師酬金

回顧年內，本公司付予核數師安永會計師事務所之酬金如下：

Services rendered	所提供之服務	Fees paid/payable
		HK\$ 已付/應付費用 港元
Audit Services	核數服務	1,250,000
Non-audit services i.e. taxation	非核數服務(即稅務)	150,000
		1,400,000

審核委員會

本公司就審核委員會之組成已遵守上市規則第3.21條之規定。本公司審核委員會成員包括三名獨立非執行董事。目前審核委員之成員包括梁文基先生、孔蕃昌先生及李沅鈞先生。審核委員會主席梁文基先生擁有適當之會計專業資格。審核委員會每年至少舉行兩次會議。於二零零五年，審核委員會已舉行兩次會議。審核委員會各成員之出席紀錄如下：

Name of director	董事姓名	Attendance of Audit Committee meetings in 2005	Attendance rate
		二零零五年出席 審核委員會之會議次數	出席率
Kung Fan Cheong	孔蕃昌	2/2	100%
Leung Man Kay	梁文基	2/2	100%
Li Yuen Kwan, Joseph (appointed on 24 August 2005)	李沅鈞 (於二零零五年八月二十四日獲委任)	1/1	100%
Tsao Kwang Yung, Peter (deceased on 5 June 2005)	曹廣榮 (於二零零五年六月五日辭世)	1/1	100%

審核委員會之主要角色及功能包括檢討本集團之財務報告及內部監控程序。委員會亦會就集團審計範圍內的事項擔任董事會與公司核數師之間的重要橋樑。

During the meetings held in 2005, the Audit Committee had performed the following work:

- (i) reviewed the directors' report and audited financial statements for the year ended 31 December 2004;
- (ii) reviewed the interim financial statements for the six months ended 30 June 2005;
- (iii) reviewed the appointment of the external auditors and the nature and scope of audits;
- (iv) reviewed and recommended for approval by the board the 2005 audit scope and fees;
- (v) reviewed and monitored the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
- (vi) reviewed the effectiveness of internal control system; and
- (vii) reviewed the group's financial and accounting policies and practices.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. With the assistance of the Accounts Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the financial statements of the Group is in a timely manner.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements is set out in the Report of the Auditors on pages 30 and 31.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed to achieve business objectives, safeguard of assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and ensure compliance with relevant legislations and regulations.

審核委員會於二零零五年舉行之會議完成以下工作:

- (i) 審閱截至二零零四年十二月三十一日止年度之董事會報告及經審核財務報告;
- (ii) 審閱截至二零零五年六月三十日止六個月之中期財務報表;
- (iii) 檢討外聘核數師之委任及審核性質和範圍;
- (iv) 檢討二零零五年之審核範圍及核數費用並就此提出建議供董事會批准;
- (v) 檢討及監督外聘核數師之獨立性及客觀性,並按照適用標準檢討審核程序之效率;
- (vi) 檢討內部監控系統之效率;及
- (vii) 檢討本集團之財務及會計政策及常規。

董事就財務報表所承擔之責任

董事確認須就編製本集團財務報告承擔責任。本公司會計部由合資格會計師監督,在該部門的協助下,董事確保本集團財務報告的編製符合有關法規及適用之會計準則。董事並確保本集團財務報告適時予以刊發。

本公司核數師就本集團財務報告所作之申報責任聲明列載於第30及31頁之核數師報告內。

內部監控

董事會全權負責維持本集團的內部監控系統達致穩健妥善而且有效率,包括制訂管理架構及其相關權限以協助本集團達致業務目標、保管資產以防未經授權使用或處理、確保妥善保存賬冊紀錄以提供可靠的財務資料供內部使用或對外發放,並確保遵守有關法例與規則。