

CORPORATE GOVERNANCE REPORT

企業管治報告

COMMITMENT TO CORPORATE GOVERNANCE

The Company is committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance emphasizing on transparency, independence, accountability, responsibility and fairness.

The Company has applied the principles of the Code provisions under the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2006 ("the year under review"), save for the deviations from Code Provision A.2.1 and A.4.1 as discussed below.

THE BOARD

The Board of Directors (the "Board") has the collective responsibility for leadership and control of the Company. The function of the Board is to manage the Company in a responsible and effective manner and in compliance with the applicable standards, laws and regulations, and act in the best interest of the Company and its shareholders at all times. The Board sets strategies for the Company and monitors the performance and activities of the senior management.

The Board currently comprises seven executive directors and three independent non-executive directors. The brief biographical details of the directors and relationship among them are set out in the "Biography of Directors and Senior Management". The executive directors are responsible for the day to day operation of the Company whereas the independent non-executive directors are responsible for ensuring a high standard of financial and management reportings to the Board and shareholders as well as to provide a balance composition in the Board so that there is a strong independent element on the Board.

企業管治承諾

本公司致力保持法定及法規標準，並緊守強調透明、獨立、問責、負責任及公允之企業管治原則。

本公司於截至二零零六年三月三十一日止年度（「回顧年度」）一直應用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守則之守則條文之原則，惟下文所討論守則條文已偏離行為A.2.1條及A.4.1條之偏離行為除外。

董事會

董事會（「董事會」）共同負責領導及控制本公司。董事會之職能在於有責任地及有效地管理本公司，及遵守適用標準、法律及規例，並經常以符合本公司及其股東最佳利益之方式行事。董事會為本公司制定策略及監察高級管理層之表現及活動。

董事會目前由七名執行董事及三名獨立非執行董事組成。有關董事之履歷簡介及彼等之間之關係載於「董事及高級管理層履歷」。執行董事負責本公司之日常運作；獨立非執行董事負責確保向董事會及股東作出之財務及管理報告屬高標準，並使董事會之組成得以平衡，使董事會具有高度獨立性。

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The Board holds meeting whenever it sees necessary and when requires with and without management to discuss and response to matters of particular interest. During the year under review, the Board held eight meetings, the attendance records of the individual directors as follows:

董事會於其認為必要時及有需要時舉行（不論是否與管理層舉行）會議，以討論及回應特別事項。於回顧年度內，董事會曾舉行八次會議，個別董事之出席紀錄如下：

Name of Directors	Number of meeting attended	董事名稱	出席會議次數
Executive Directors:		執行董事：	
LIANG Jin You (Chairman & Managing Director)	7/8	梁金友 (主席兼董事總經理)	7/8
LI Kwo Yuk (Deputy Chairman)	8/8	李戈玉 (副主席)	8/8
LEUNG Kin Yau	6/8	梁健友	6/8
OU Jian Sheng	6/8	歐健生	6/8
DENG Ju Neng	6/8	鄧巨能	6/8
LIN Dong Hong (resigned on 15 March 2006)	1/7	林東宏 (已於二零零六年三月十五日辭任)	1/7
CHEN Vee Yong, Frederick (appointed on 15 March 2006)	1/1	陳維雄 (於二零零六年三月十五日獲委任)	1/1
Independent Non-executive Directors:		獨立非執行董事：	
LO Ming Chi, Charles	4/8	勞明智	4/8
LO Wah Wai	5/8	盧華威	5/8
ORR Joseph Wai Shing	6/8	柯偉聲	6/8

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Directors who are considered having conflict of interest or material interests in the proposed transactions or issues to be discussed, would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution.

All Directors have access to the Company Secretary who attended all the scheduled Board Meeting and is responsible for ensuring that the Board procedures are being complied with, and advising the Board on compliance matters.

Code Provision A.4.1 specifies that non-executive directors should be appointed for a specific term, subject to re-election.

The independent non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the provisions of the Company's bye-laws.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2006.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 provides that the role of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. Mr. LIANG Jin You is the Chairman of the Company but there is no chief executive officer appointed to the Board. The Company might consider appointing a chief executive officer in the event that it could locate appropriate personnel.

於建議交易或將予討論中被視為存在利益衝突或重大利益之董事不會計算入會議之法定人數，彼等亦會就有關決議案放棄投票。

全體董事均可接觸出席公司秘書，公司秘書出席所有擬定之董事會會議及負責確已遵守董事會程序，及就合規事宜向董事會提供意見。

守則條文A.4.1訂明非執行董事須按指定任期委任，惟可膺選連任。

本公司之獨立非執行董事並非按指定任期委任，惟可根據本公司細則之條文於本公司之股東大會上輪席告退及膺選連任。

董事證券交易

本公司已採納上市規則附錄十之標準守則。本公司所有董事已確認，並根據本公司明確要求，彼等已於截至二零零六年三月三十一日止年度內遵守標準守則內的要求水平。

主席及行政總裁

守則條文第A.2.1條規定須分開訂立主席與行政總裁之角色，並不得由同一個別人士履行。梁金友先生為本公司主席，惟並無委任行政總裁加入董事會。倘本公司能夠物色合適人選，本公司或會考慮委任行政總裁。

REMUNERATION COMMITTEE

The Remuneration Committee was set up in July 2005 with specific terms of reference of reviewing the Company's policy and structure on the remuneration of directors and senior management of the Company, making recommendation to the Board on the remuneration of the directors and senior management of the Company and advising shareholders of the Company how to vote with respect to any service contracts of directors that require shareholders' approval under the Listing Rules.

The current members of the Remuneration Committee are Mr. LO Ming Chi, Charles, Mr. LO Wah Wai and Mr. ORR Joseph Wai Shing. In line with good and fair practice, the Committee currently consists of all independent non-executive Directors.

The emoluments of the directors of the Company are decided by the Board of Directors, as authorised by the shareholders at the annual general meeting having regard to the operating results of the Company, individual performance and prevailing market conditions. The Company has also adopted a share option scheme as an incentive to directors and senior management. The Board conducts regular review of the structure and composition of the Committee with particular attention to the skills, knowledge and experience of individual members.

No Remuneration Committee meeting has been held for the year ended in 31 March 2006.

薪酬委員會

薪酬委員會於二零零五年七月成立，訂有本公司檢討本公司董事及高級管理層薪酬政策及架構之職權範圍、就本公司董事及高級管理層之薪酬向董事會提出建議，及就如何就須根據上市規則由股東批准之任何董事服務合約作出投票向本公司股東提供意見。

薪酬委員會之現有成員為勞明智先生、盧華威先生及柯偉聲先生。為符合良好及公平守則，該委員會目前已包含全體獨立非執行董事。

本公司董事之酬金由股東於股東週年大會上授權董事會，經參考本公司經營業績、個人表現及現行市況而釐定。本公司亦採納購股權計劃，作為對董事及高級管理層之獎勵。董事會亦定期檢討該委員會之架構及組成，並尤其重視個別成員之技能、知識及經驗。

於截至二零零六年三月三十一日止年度內並無舉行薪酬委員會會議。

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ACCOUNTABILITY AND INTERNAL CONTROL

The directors acknowledge their responsibility to present a balanced, clear and understandable assessment relating to annual and interim report, price-sensitive announcements and other financial disclosures under the Exchange Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements. As at 31 March 2006, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the ability of the Company to continue as a going concern basis.

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Auditor's Report on page 37. The remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31 March 2006 amounted to HK\$380,000.

The directors acknowledge their responsibility in ensuring the Company maintaining sound and effective internal controls to safeguard the shareholders' investment and the Company's assets, and have conducted an annual review on the effectiveness of the Group's internal control system. The review includes financial, operational and compliance control and risk management functions.

AUDIT COMMITTEE

The Company has established an Audit Committee with specific written terms of reference. The terms of reference of the Audit Committee have included the duties which are set out in the Code Provision C.3.3 of the Code, with appropriate modifications when necessary.

問責制及內部監控

各董事明白彼等有責任對有關年報及中期報告、股價敏感之公佈及聯交所上市規則項下之其他財政披露，對監管機構之報告，以及根據法定規定須予披露之資料提呈中肯、清晰及易明之評估。於二零零六年三月三十一日，董事並不知悉任何有關可能對本公司按持續基準繼續經營之能力構成重大疑問之事件或情況之任何重大不明朗因素。

本公司外聘核數師就彼等對綜合財務報表之申報責任之聲明載於第37頁之核數師報告。就截至二零零六年三月三十一日止年度核數服務付予本公司外聘核數師之薪酬為380,000港元。

各董事明白彼等有責任確保本公司保持良好及有效之外部監控，以保障股東之投資及本公司之資產，並已對本集團內部監控制度之有效程度進行年度檢討。有關檢討包括財務、營運及合規監控以及風險管理之職能。

審核委員會

本公司已成立審核委員會，並訂立職權範圍。審核委員會之職權範圍包括守則之守則條文第C.3.3條所載之職責，並於需要時作出適當修訂。

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The current members of the Audit Committee are Mr. LO Ming Chi, Charles, Mr. LO Wah Wai and Mr. ORR, Joseph Wai Shing. A total of two meetings have been held in the year under review and the individual attendance of members are as follows:-

Name of members	No. of meeting attended	成員姓名	出席會議次數
Mr. LO Ming Chi, Charles (Chairman)	2/2	勞明智先生 (主席)	2/2
Mr. LO Wah Wai	2/2	盧華威先生	2/2
Mr. ORR, Joseph Wai Shing	2/2	柯偉聲先生	2/2

審核委員會之現有成員為勞明智先生、盧華威先生及柯偉聲先生。於回顧年度內合共舉行兩次會議，各成員之個別出席率如下：

The Audit Committee reviewed the interim and full year consolidated financial statements, including the Group's adopted accounting principles and practices, internal controls, and financial reporting matters in conjunction with the external auditors. The Audit Committee endorsed the accounting treatment adopted by the Company and had the best of its ability assured itself that the disclosure of the financial information in this report complies with the applicable accounting standards and Appendix 16 of the Listing Rules.

審核委員會已與外聘核數師檢閱中期及全年之綜合財務報表，包括本集團所採納之會計原則及守則、內部監控及財務申報事宜。審核委員會贊成本公司所採納之會計處理方式，並已盡力確保本報告乃遵照適用會計原則及上市規則附錄十六披露該等財務資料。

SHAREHOLDER'S COMMUNICATIONS

The Company continues to enhance communications and relationships with its investors. Designated management personnel maintains regular dialogue with institutional investors and financial analysis to keep them abreast of the developments of the Company.

股東之通訊

本公司繼續加強與其投資者之通訊及關係。指定管理層人員與機構投資者及財務分析員會保持定期對話，以確保彼等了解本公司之發展。

To promote effective communication, the Company also maintains a website www.artfield.com.hk where information and updates on the business developments and operation, financial information, corporate governance practices and other information are posted.

為促進有效之通訊，本公司亦設立網站 www.artfield.com.hk，以刊載有關業務發展及運作之資料及最新、財務資料、企業管治常規及其他資訊。