

## 企業管治報告

### Corporate Governance Report

#### 企業管治

本集團一貫的目標是努力提升企業價值，以淨利潤的良好增長及現金流量的長期穩定為核心，確保本集團的長期持續發展，為股東帶來良好的回報。本集團矢志提高企業管治水平，並全力增加透明度。通過持續為董事與員工提供培訓及外聘專業顧問，申洲國際將不斷提升企業管治素質，進而達致以上的目標。

董事會自二零零五年十月九日起已採納本身的企業管治守則。此乃涵蓋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《企業管治常規守則》（「企業管治守則」）所載的全部守則條文，以及大部分的建議最佳常規守則。

本公司於截至二零零六年十二月三十一日止年度內一直遵從企業管治守則內的所有守則條文。

#### 董事會

本集團致力通過董事會來提升公司效率及利潤水平。全體董事深知彼等共同及個別對股東所負的責任，並勤勉盡職，為本公司的理想業績及股東的最大回報作出貢獻。

董事會現由五名執行董事及三名獨立非執行董事組成。董事的個人履歷及若干董事之間的親屬關係均列載於第45頁至53頁「董事及高級管理層履歷」一節。董事之間概無其他重大財務、業務或相關關係。

#### CORPORATE GOVERNANCE

The Group's stated objective is to enhance its corporate value, focusing on the solid growth in net profit and consistently stable in cash flow, to ensure the Group's long-term, sustainable development and to achieve sound returns for shareholders. The Group is committed to raising its corporate governance standards and increasing the transparency of its operations. Such objective will be achieved by constantly improving the quality of corporate governance of Shenzhou International through continuing training for Directors as well as staff and the appointment of external professional advisers.

The Board adopted its own Code of Corporate Governance, which covered all the code provisions and most of the recommended best practices of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") since 9 October 2005.

The Company had complied with all the code provisions of the CG Code throughout the year ended 31 December 2006.

#### THE BOARD

The Group endeavours to enhance corporate efficiency and profitability through the Board. The Directors recognise their collective and individual responsibility to the shareholders and perform their duties diligently to contribute to positive results for the Company and maximize returns for shareholders.

The Board currently comprises five Executive Directors and three Independent Non-executive Directors, whose biographical details and family relationships among certain Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 45 to 53. There is no other material financial, business or relevant relationships among the Directors.

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董事會負責本公司的管治工作，並管理股東所委託的資產。董事會的主要職責包括制訂本集團的業務策略方針、設定管理層目標、監督其表現及評估管理策略的成效。

本集團的日常業務管理由執行董事或各部門的高級主管負責，而本集團會定期檢討彼等獲授的職能及權力，確保彼等仍適合履行職務。董事會則負責處理影響本集團整體策略政策、財務及股東的事務，包括財務報表、股息政策、重大會計政策變動、重大合約及主要投資等。各董事會成員均可分別獨立接觸本集團的高級管理層，以履行彼等的職責；亦可及時查閱所有有關本集團的資料，並可得悉本集團最新的經營狀況、業務活動及發展。董事會成員亦可要求徵詢專業意見，費用由本集團承擔。

所有董事須於首次獲委任時向董事會申報彼在其他公司或機構擔任董事或其他職務身份，有關利益申報每年更新一次。倘董事會在討論任何動議或交易時認為董事在當中存在利益衝突，該董事須申報利益及放棄投票。

#### 主席及集團總經理

董事會主席與集團總經理之職責彼此分開。董事會主席負責管理董事會及本集團重大經營決策，而集團總經理則負責管理本集團業務的日常運作，職責劃分明確。

The Board is responsible for governing the Company and managing assets entrusted by the shareholders. The principal responsibilities of the Board include the formulation of the Group's business strategies and management objectives, supervision of the management and evaluation of the effectiveness of management strategies.

Day-to-day management of the Group's businesses is delegated to the Executive Director or officer in charge of each division. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. Matters reserved for the Board are those affecting the Group's overall strategic policies, finances and shareholders including financial statements, dividend policy, significant changes in accounting policy, material contracts and major investments. All Board members have separate and independent access to the Group's senior management to fulfill their duties. They also have full and timely access to relevant information about the Group and are kept abreast of the conduct, business activities and development of the Group. Independent professional advice can be sought at the Group's expense upon their request.

All Directors are required to declare to the Board upon their first appointment of the directorships or other positions they are concurrently holding at other companies or organizations. These interests are updated on an annual basis. A Director should declare his/her interests and abstain from voting in respect of any proposal or transaction discussed by the Board in which he/she is deemed by the Board to have a conflicting interest.

#### Chairman and Group General Manger

The Chairman of the Board and the Group General Manager have separate and distinctive roles. The Chairman of the Board is responsible for the overall management of the Board and significant operational decisions of the Group, while the Group General Manager is responsible for managing the day-to-day operations of the Group's business.

### 獨立非執行董事的獨立性

獨立非執行董事所佔比率超過董事會成員的三分之一，彼等皆為優秀的行政管理人員或紡織業專家，具備多方面專業知識，可為本集團提供足夠的制約及平衡，以保障股東及本集團的整體利益。獨立非執行董事的角色是向董事會提供獨立及客觀的意見，以供董事會作出考慮及決定。全體獨立非執行董事已提交確認符合獨立性的確認書，並符合載於上市規則內獨立性指引的規定。

### 董事會處事程序

本集團會定期舉行董事會會議，以商討本集團的營運、財務表現、企業管治及未來發展。董事於舉行董事會會議前最少14天接獲通知，並於會議舉行前最少3天獲發議程及開會文件，確保董事可及時閱覽有關資料，方便彼等履行職務。

公司秘書負責編列董事會及董事委員會的會議紀錄，董事可於發出合理通知後查閱有關會議紀錄及開會文件。全體董事均獲發會議紀錄的初稿和定稿，以供彼等提供意見和紀錄存檔。

本公司於截至二零零六年十二月三十一日止年度內共舉行四次全體董事會會議。除黃關林先生因公務而缺席兩次會議外，全體董事均有出席此四次會議。

董事會將每年舉行最少四次會議，並於有需要時召開額外會議，以釐定整體策略方針及目標，及批准中期及年度業績及其他重大事宜。

### Independence of Independent Non-executive Directors

Independent Non-executive Directors accounted for more than one third of the members of the Board. The Independent Non-executive Directors are outstanding executives or experts in the textile industry who bring with them expertise in different areas. They provide adequate control and balances for the Group to protect the overall interests of the shareholders and the Group. The role of the Independent Non-executive Directors is to provide independent and objective opinions to the Board for its consideration and decisions. All independent Non-executive Directors have submitted written confirmation of their independence and compliance with the independence guidelines as set out in the Listing Rules.

### Board proceedings

Regular Board meetings are held to discuss the Group's operation, financial performance, corporate governance and future development. At least 14 days prior notice and an agenda with supporting papers of no less than 3 days of the Board meeting are given to directors to ensure timely access the relevant information to discharge of their duties.

Minutes of the Board and Board Committees are taken by the Company Secretary and, together with any supporting papers, are open for inspection following reasonable notice by any Directors. Draft and final versions of minutes are sent to all Directors for their comment and records, respectively.

The Company held four full Board meetings for the year ended 31 December 2006, with all Directors attended, except for Mr. Huang Guanlin who was absent from two meetings as he has another business engagement.

Board meetings will be held at least four times a year with additional meetings convened as and when necessary to determine overall strategic directions and objectives and approve interim and annual results and other significant matters.

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年內，主席亦與全體獨立非執行董事舉行獨立會議，以處理業務事宜。

#### 董事委員會

為監察本公司的特定事務及協助執行職務，董事會已成立三個委員會，即審核委員會、薪酬委員會及提名委員會。該等委員會的大部分成員為獨立非執行董事，以加強委員會的獨立性。所有委員會均由各自的職權範圍規管，有關職權範圍載於本公司網站 [www.shenzhouintl.com](http://www.shenzhouintl.com)。

所有委員會均擁有足夠資源以履行職務。各委員會定期向董事會匯報，以討論重要事宜及結果，並向董事會提供推薦建議以作決策。

#### 薪酬委員會

於二零零五年十月九日，本公司遵照企業管治守則成立薪酬委員會。薪酬委員會共有一名執行董事及兩名獨立非執行董事，分別為馬仁和先生、錢鋒先生及戴祥波先生。馬仁和先生是薪酬委員會的主席。

薪酬委員會的主要責任是就董事及高級管理層的整體薪酬政策及架構，及就批准此等薪酬政策設立正規而具透明度的過程向董事會提供推薦建議。董事概無參與有關其本身薪酬的討論。有關每位董事的袍金詳列於財務報表附註 24。

During the year, the Chairman also held a separate meeting with all the Independent Non-executive Directors to address business issues and concerns.

#### Board Committees

To oversee particular aspects of the Company's affairs and to assist in the execution of its responsibilities, the Board has set up three Committees, namely Audit Committee, Remuneration Committee and Nomination Committee. The Committees have been structured to include a majority of Independence Non-executive Directors as members in order to reinforce independence. All of the Committees are governed by its respective terms of reference, which are available on the Company's website [www.shenzhouintl.com](http://www.shenzhouintl.com).

All Committees are provided with sufficient resources to discharge their duties. The Committees report to the Board on a regular basis to discuss significant issues and findings and to make recommendations to the Board for making decisions.

#### REMUNERATION COMMITTEE

The Company has established a Remuneration Committee in compliance with the CG Code on 9 October 2005, which comprises one Executive Director and two Independent Non-executive Directors, namely Mr. Ma Renhe, Mr. Qian Feng and Mr. Dai Xiangbo, and Mr. Ma Renhe is the Chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure for the Directors and senior management and on the establishment of a formal and transparent process for approving such remuneration policy. No director will take part in any discussion on his or her own remuneration. The details of their fees are set out in note 24 to the financial statements.

本公司對薪酬政策的目標是根據業務所需及行業慣例，確保薪酬待遇公平及具競爭力。薪酬委員會因應市場水平、董事工作量、職責及工作難度等因素，釐定向董事會成員支付的薪酬及袍金水平。

薪酬委員會於二零零六年共舉行一次會議，全體成員均有出席。薪酬委員會於會上檢討董事及高級管理層的薪酬。

### 提名委員會

本公司已於二零零五年十月九日成立提名委員會。提名委員會共有一名執行董事及兩名獨立非執行董事，分別為黃關林先生、宗平生先生及戴祥波先生。黃關林先生是提名委員會的主席。

提名委員會的主要責任是物色具備合適資格可擔任董事的人士，挑選提名有關人士出任董事及就此向董事會提供推薦建議，並定期檢討董事會的架構、人數及組成(包括技能、知識及經驗方面)，並就任何擬作出的變動向董事會提供推薦建議。

提名委員會於二零零六年共舉行一次會議，全體成員均有出席。提名委員會於會上檢討及推薦重新委任退任董事，以供股東於股東週年大會上批准。

The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board of Directors, market rates and factors such as each director's workload, responsibility, and job complexity are taken into account.

The Remuneration Committee held one meeting with full attendance in 2006. At the meeting, it reviews the remuneration of Directors and senior management.

### NOMINATION COMMITTEE

The Company has established a Nomination Committee on 9 October 2005, which comprises one Executive Director and two Independent Non-executive Directors, namely Mr. Huang Guanlin, Mr. Zong Pingsheng and Mr. Dai Xiangbo, and Mr. Huang Guanlin is the Chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee are to identify candidates with suitable qualifications as directors, select and nominate such candidates for directorship and provide recommendations to the Board; review the structure, headcount and composition (including skills, knowledge and experience) of the Board and make recommendations to the Board for any proposed changes.

The Nomination Committee held one meeting with full attendance in 2006. At the meeting, it reviewed and recommended the reappointment of retiring directors for shareholders' approval at the annual general meeting.

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#### 委任及重選董事

經提名委員會推薦後，任何人士均可隨時由股東於股東大會上或由董事會委任為董事會成員。

根據本公司的組織章程，任何獲董事會委任為新增董事或委任以填補臨時空缺的董事的任期僅直下屆股東週年大會（若為新增董事）或下屆股東大會（若為填補臨時空缺）為止，惟彼符合資格由股東重選。此外，所有董事均須最少每隔三年於股東週年大會上輪席告退，並由股東重選。所有獨立非執行董事的特定任期均不超過三年。

每名董事於獲委任加入董事會時，均獲提供完善的企業管治及證券交易標準守則培訓。本公司將持續為董事提供培訓，確保彼等可符合嚴謹的監管規定。為持續提升企業管治水平，本公司亦建立並運行一個「證券資訊」平台，讓董事可及時取得證券市場的資料，並了解證券市場的規則。

#### 審核委員會

於二零零五年十月九日，本公司遵照上市規則第3.21至3.23條成立審核委員會。審核委員會共有三名獨立非執行董事，分別為戴祥波先生、錢鋒先生及宗平生先生。戴祥波先生是審核委員會的主席，其在會計、核數及財務方面的專業知識有助其領導審核委員會的運作。

#### APPOINTMENT AND RE-ELECTION OF DIRECTORS

A person may be appointed as a member of the Board at any time either by the shareholders in general meeting or by the Board upon recommendation by the Nomination Committee.

In accordance with the Company's Articles of Association, any Directors appointed by the Board as additional Directors and to fill casual vacancies shall hold office until the next Annual General Meeting (in the case of an addition to the Board) or until the next general meeting (in the case of filling a casual vacancy), and are eligible for re-election by the shareholders. In addition, all Directors are required to retire by rotation at least once every three years at the Annual General Meeting, subject to re-election by the shareholders. All Independent Non-executive Director are appointed for specific terms for not more than three years.

Each of the Directors on appointment to the Board, is given a comprehensive training on corporate governance and the model code for securities transaction. The Company will continue to provide ongoing training for the Directors to ensure that they would be able to comply with the stringent regulatory requirements. The Company has also established and operated a "securities information" platform that allows Directors to have timely information of the securities market and familiarize themselves with the rules of the securities market, with a view to ongoing enhancement of corporate governance standards.

#### AUDIT COMMITTEE

The Company has established an Audit Committee in compliance with Rules 3.21 to 3.23 of the Listing Rules on 9 October 2005, which comprises three Independent Non-executive Directors, namely Mr. Dai Xiangbo, Mr. Qian Feng and Mr. Zong Pingsheng. The Chairman of the Audit Committee is Mr. Dai Xiangbo, whose expertise in accounting, auditing and finance enables him to provide leadership for the Committee.

審核委員會的主要責任是就本集團的財務與會計慣例及內部監控作出關鍵而客觀的檢討，包括考慮法定審核的性質及範圍、審閱本集團的中期及全年賬目以及評估本集團會計及財務監控是否完整有效。

審核委員會的職權範圍與香港會計師公會頒佈的《審核委員會有效運作指引》所載的推薦建議及企業管治守則條文一致。

審核委員會於截至二零零六年十二月三十一日止年度共舉行四次會議，全體成員均有出席。審核委員會於會上聯同外聘核數師審閱二零零五年全年業績、財務報告及審核事宜；以及二零零六年中期業績、本集團的內部審核職能活動、業務經營的內部審核報告及二零零七年的內部審核計劃。

### 財務報告

董事會明白本身有責任編製真實公平的本公司賬目，並根據香港會計師公會公佈而普遍被採用的香港會計準則編製賬目。本公司選擇合適的會計政策並貫徹採用，所作判斷及估計均屬審慎及合理。董事致力在財務報告上對本集團的現有狀況及前景作出中肯及易於理解的評估。

### 內部監控

董事會明白本身有責任維持一個適當的內部監控系統，以及確保能盡早向股東及公眾人士如實報告本公司的業務狀況。

The principal responsibilities of the Audit Committee are to conduct critical and objective reviews of the Group's financial and accounting practices and internal controls. These include determining of the nature and scope of statutory audit, reviewing the Group's interim and annual accounts and assessing the completeness and effectiveness of the Group's accounting and financial controls.

The terms of reference of the Audit Committee are consistent with the recommendations as set out in "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the provisions of the CG Code.

The Audit Committee held four meetings with full attendance for the year ended 31 December 2006. At the meetings, it reviewed the 2005 final results, financial report and auditing issues, with the external auditors, and the 2006 interim results, the activities of the Group's internal audit functions, the internal audit report on business operations, and the internal audit planning for 2007.

### FINANCIAL REPORTING

The Board acknowledges of its responsibility to prepare the Company's accounts which give a true and fair view and in accordance with the accounting standards generally accepted in Hong Kong as published by the HKICPA. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Directors endeavoured to make a fair and comprehensive assessment of the Group's current conditions and prospects in the financial report.

### INTERNAL CONTROLS

The Board recognises its responsibility to maintain an appropriate internal control system and to ensure accurate reporting of the Company's state of affairs to shareholders and the public in a timely manner.

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本集團的內部監控系統旨在提高營運效益與效率、確保資產不會被不當挪用及未經授權處理、維持恰當的會計紀錄及真實公平的財務報告、並同時確保遵守相關的法律及規例。該系統會就是否存在重大錯誤陳述或損失，作出合理但不絕對的確定，並會管理而非消除與其業務活動有關的風險。

董事會透過審核委員會檢討本集團截至二零零六年十二月三十一日止年度之內部監控系統，該內部監控系統對財務呈報、營運及合規方面以及風險管理方面進行監管，董事會認為本集團已設立內部監控系統，並妥善運作。

#### 內部審核

內部審核部門在監察本公司的內部管治方面擔當重要角色。內部核數師直接向主席匯報，並可直接接觸審核委員會。該部門可不受限制地查閱所有資料，以供其審閱有關本公司在風險管理、控制及管治過程方面的事宜。該部門會定期審核本集團業務及支援部門的主要活動及過程，亦會特別檢討或調查管理層或審核委員會察悉並引起關注的事宜。該部門會與審核委員會、董事及主要高級管理層討論所有審核報告，並會追查及跟進審核事宜，確保實施得宜，而實施進度會直接向審核委員會、董事及高級管理層定期匯報。

The Group's internal control system is designed to enhance operating effectiveness and efficiency, to safeguard assets against misappropriation and unauthorized disposition, to maintain appropriate accounting records and financial reports that are true and fair, and to ensure compliance with relevant laws and regulations. The system aims at providing a reasonable, but not absolute, assurance against material misstatement or loss and managing rather than eliminating operational risks.

The Board, through the Audit Committee, reviewed the internal control system of the Group for the year ended 31 December 2006, which covered controls over financial reporting, operations and compliance, as well as risk management functions, and considered that the system of internal controls in operation in the Group have been in place and functioning effectively.

#### INTERNAL AUDIT

The Internal Audit Department plays an important role in monitoring the internal governance of the Company. The Internal Auditor reports directly to the Chairman and has direct access to the Audit Committee. The Department has unrestricted access to information that allows it to review all aspects of the Company's risk management, control and governance processes. On a regular basis, it conducts audits on major activities and process of the Group's business and support units. It also conducts special reviews or investigations of areas of concern identified by Management or the Audit Committee. All audit reports are communicated to the Audit Committee, Directors and key senior management. Audit issues are tracked and followed up for proper implementation, with progress reported to the Audit Committee, Directors and senior management periodically.



## 外聘核數師

本集團的獨立外聘核數師為羅兵咸永道會計師事務所。審核委員會負責考慮委聘外聘核數師，並檢討任何由外聘核數師為本集團提供的非核數職能，尤其是委員會於與外聘核數師訂約及彼等履行工作前，考慮該等非核數職能會否引致任何潛在重大利益衝突。

截至二零零六年十二月三十一日止年度內，由羅兵咸永道會計師事務所向本集團提供的核數服務的相關酬金為人民幣2,000,000元。

董事會滿意羅兵咸永道會計師事務所的核數費用、過程及效率，並建議於應屆股東週年大會上續聘羅兵咸永道會計師事務所為本公司的外聘核數師。

## 董事的證券交易

本公司已採納上市規則所載的《上市發行人董事進行證券交易的標準守則》作為本公司有關董事證券交易行為守則（「證券交易守則」）。各董事於獲委任時均獲發一份證券交易守則，其後每年發出兩次提示，分別在通過本公司中期業績及全年業績的董事會會議前一個月，提醒董事不得在公佈業績前買賣本公司證券以及所有交易必須按證券交易守則進行。經就此事作特別徵詢，所有董事均已確認彼等於年內一直嚴格遵守證券交易守則有關的規定。

## EXTERNAL AUDITORS

The Group's independent external auditors are PricewaterhouseCoopers. The Audit Committee is responsible for the appointment of the external auditors and reviewing the non-audit functions performed by the external auditors for the Group. In particular, the Committee will, prior to the execution of contract with the external auditors and the commencement of their duties, consider whether the non-audit functions will result in any potential material conflict of interest.

The related remuneration for the audit services provided by PricewaterhouseCoopers to the Group for the year ended 31 December 2006 amounted to RMB2,000,000.

The Board is satisfied with the audit fees, process and effectiveness of PricewaterhouseCoopers and has recommended their reappointment as the Company's external auditors at the forthcoming annual general meeting.

## SECURITIES TRANSACTIONS OF DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules as the Company's code of conduct regarding Directors securities transactions ("Securities Trading Code"). A copy of the Securities Trading Code is provided to all Directors on their appointment. Reminder will be issued twice a year, being one month prior to the respective Board meetings approving the Company's interim results and annual results, reminding the Directors that they are not allowed to trade on the Company's securities prior to the announcement of its results and that all transactions must comply with the Securities Trading Code. Upon specific enquiries, all Directors confirmed their strictly compliance with the relevant provisions of the Securities Trading Code throughout the year.

## 企業管治報告

### Corporate Governance Report

高級管理層因其在本公司所擔任的職務可能擁有未公佈股價敏感資料，已被要求遵守證券交易守則的規定。

#### 投資者關係及溝通

董事會深明與股東溝通極為重要。年報及中期報告為股東提供全面的營運及財務表現資料，而股東週年大會則讓股東可直接向董事會表達彼等的意見。

本集團的投資者關係部持續與研究分析員及機構投資者溝通，並向彼等提供有關本集團策略及發展的最新最完善資料。

本公司亦於年內不時發出新聞公佈，並積極回應查詢資料的要求及投資者的查詢。投資者可於本公司網站[www.shenzhouintl.com](http://www.shenzhouintl.com)查閱有關本公司的最新資料，包括中期報告及年報、公佈、新聞公佈及簡介資料。本公司會及時更新網站上的資料，確保迅速及公平披露資料，提高透明度。

Senior Management who, because of their office in the Company, are likely to be in possession of unpublished price sensitive information, have been requested to comply with the provisions of the Securities Trading Code.

#### INVESTORS RELATIONS AND COMMUNICATION

The Board recognises the importance of communication with its shareholders. Annual and interim reports offer comprehensive operational and financial performance information to shareholders and the annual general meeting provides a forum for shareholders to express their concerns directly to the Board.

Our Investor Relations Department communicates with research analysts and institutional investors in an on-going manner and provides them with up-to-date and comprehensive information about the Group's strategies and development.

The Company also issues press releases from time to time throughout the year and responds to requests for information and queries from the investors. Current information on the Company including interim and annual reports, announcements, press releases and presentations material can be retrieved through our Company's website [www.shenzhouintl.com](http://www.shenzhouintl.com). Information on the website is updated in a timely manner to ensure that speed, fairness and transparency of our disclosure.