

The Company has always endeavoured to achieve good corporate governance practices and appreciate the importance of management transparency and accountability. The Board believes that good corporate governance of the Company will contribute to maximize the interests of the Company and its shareholders as a whole.

Therefore, the Company has adopted all the code provisions set out in the Code on 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 has become effective on 1 January 2005 in place of the Code of Best Practice, as its own code of corporate governance practices.

The Company’s compliance with all the principles of the New CG Code was reflected by the revised constitutional documents of the Company, internal rules and general corporate governance practices (as reported below). For the Year, the Board has reviewed the Company’s corporate governance practices and is satisfied that the Company has been in compliance with the code provision set out in the New CG Code of the Listing Rules throughout the Year. Save that the Chairman of the Board, Mr. Fang Hongbo, did not attend the annual general meeting of the Company held on 9 June 2006 (details of which are set out under “Communication with Shareholders” below).

THE BOARD

The Board is collectively responsible for the leadership and control of the Company and oversees the Group’s businesses, strategic decisions and performances whereas the senior management of the Company (the “Senior Management”) was delegated the authority and responsibility by the Board for the day-to-day management of the Group. In addition, the Board has also delegated various responsibilities to the committees of the Board (the “Committees”). Further details of these Committees are set out in this report.

本公司時刻致力達致良好企業管治常規，並重視管理層之透明度及問責性。董事會相信本公司之良好企業管治將有助本公司及其股東之整體利益達致最高。

因此，本公司已採納香港聯合交易所有限公司證券上市規則（「上市規則」）附錄十四所載並於二零零五年一月一日起生效之企業管治常規守則（「新企業管治守則」）內所列之所有守則條文，以取代最佳應用守則，作為本公司之企業管治常規守則。

本公司之經修訂組織章程文件、內部規則及一般企業管治常規（如下文所報告）反映本公司已遵照新企業管治守則之一切原則。董事會於本年度已檢討本公司之企業管治常規，並信納本公司於本年度一直遵照上市規則新企業管治守則所載之守則條文，惟董事會主席方洪波先生並無出席本公司於二零零六年六月九日舉行之股東週年大會（詳情載於下文「與股東之溝通」）。

董事會

董事會全體負責領導及監控本公司，並監督本集團之業務、策略決定及業績表現，而本公司之高級管理層（「高級管理層」）則獲董事會授以權力及責任主管本集團之日常管理。另外，董事會亦向多個董事委員會（「委員會」）授予各項責任。該等委員會之進一步詳情載於本報告。

Corporate Governance Report 企業管治報告

There are 7 Board meetings held during the Year which fulfill the requirement of the New CG Code that Board meetings should be held at least four times a year. The attendance records of the Directors at the Board meetings for the year 2006 are as follows:

本年度已舉行7次董事會會議，符合新企業管治守則要求董事會會議每年最少舉行四次之規定。董事於二零零六年度出席董事會會議之記錄如下：

Total number of Board meetings for the year 2006		二零零六年度 董事會會議總數	7	
			Number of attendance 出席次數	Attendance rate 出席率
Executive Directors		執行董事		
Mr. FANG Hongbo (<i>Chairman</i>)	方洪波先生 (主席)		7	100%
Mr. ZHANG Quan	張權先生		7	100%
Mr. LI Dong Lai (appointed on 16 August 2006)	李東來先生 (於二零零六年八月十六日獲委任)		2	29%
Mr. LI Jianwei	栗建偉先生		7	100%
Ms. YUAN Liqun (redesignated from non-executive Director to executive Director on 4 January 2007)	袁利群女士 (於二零零七年一月四日 由非執行董事調任為執行董事)		7	100%
Mr. WANG Wei (appointed on 17 January 2006 and resigned on 16 August 2006)	王偉先生 (於二零零六年一月十七日獲委任， 並於二零零六年八月十六日辭任)		2	29%
Non-executive Directors		非執行董事		
Mr. ZHANG Xin Hua	張新華先生		1	14%
Mr. CHEN Yu Hang	陳宇航先生		2	29%
Independent non-executive Directors		獨立非執行董事		
Mr. CHAN Wai Dune	陳維端先生		5	71%
Mr. LAM Ming Yung	林明勇先生		6	86%
Ms. CHEN Chunhua	陳春花女士		6	86%

For each of the Board meetings for the year 2006, each Director had been consulted beforehand or served prior notice to enable him/her to include matters in the agenda of the forthcoming regular Board meeting.

於二零零六年度每次董事會會議，每名董事均於會前獲得諮詢或獲發會前通告，使其可提出討論事項以列入董事會定期會議議程。

The Company generally gives notice of regular Board meetings at least 14 days in advance and gives reasonable notice for all other Board meetings. For the year 2006, the Company had complied with the said notice requirements to give all Directors opportunity to attend the regular/other Board meetings.

All Directors have access to and could have service from the secretary of the Company ("Secretary") who is responsible for ensuring the Board procedures are complied with and advises the Board on corporate governance and compliance matters.

The Secretary is responsible for taking minutes of the Board and Board meetings which shall record in sufficient detail the matters considered by the Board, decisions reached and concerns and divergent views, if any. For each of the Board meetings held in the year 2006, draft and final versions of the Board minutes had been sent to all Directors within reasonable time (generally within 14 days for both cases) after the Board meeting was held for their comments and records. All Board minutes are available for inspection by all Directors.

The Company's corporate governance guidelines render all Directors the rights, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense and in such circumstances, the Board shall resolve to provide separate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

The provisions of the articles of association of the Company (the "Articles") have set out a list of matters that should not be dealt with by way of circulation and such list includes the circumstances where a Director has a conflict of interest in a matter to be considered by the Board which the Board considered to be material.

For the year 2006, appropriate insurance cover was arranged in respect of legal action against the Directors.

本公司一般最少於14日前預先發出董事會定期會議通告，並就所有董事會其他會議發出合理通知。於二零零六年度，本公司已遵循上述通告規定，讓全體董事獲得出席董事會定期／其他會議之機會。

全體董事均可獲本公司之秘書（「秘書」）之意見及服務。秘書乃負責確保遵循董事會程序並就企業管治及合規事宜向董事會提供意見。

秘書負責記錄董事會及董事會會議之會議紀錄，其須充分詳細記錄董事會所考慮之事項、所達致之決定及關注及分歧（倘有）。於二零零六年度所舉行之每次董事會會議，董事會會議紀錄之草稿及定稿均已於會議後之合理時間內（兩者皆一般為14日內）送交董事，以供彼等提出意見及存檔。所有董事會會議紀錄均隨時可供全體董事查閱。

本公司之企業管治指引賦予全體董事按合理要求及在適當情況下尋求獨立專業意見之權利，費用由本公司支付。在該等情況下，董事會須決議向董事提供獨立專業意見，以協助有關董事履行彼等之職責。

本公司之組織章程細則（「組織章程」）條文已載有不應以傳閱方式處理之事項列表，而該列表包括一名董事於董事會將予考慮之事項中存有董事會認為重大之利益衝突之情況。

於二零零六年度，已就對董事採取之法律行動安排適當之保險保障。

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company recognises the different roles of chairman of the Board (the "Chairman") and the chief executive officer (the "CEO") of the Company. Therefore, the Chairman and the CEO of the Company are separate persons to enhance the division of responsibilities between them and to ensure a balance of power and authority. For the year 2006, Mr. Fang Hongbo was elected by the Board as the Chairman who renders leadership to the Board so that the Board worked effectively on the strategic level of the business of the Company. To this end, the Chairman is responsible for ensuring that all Directors are properly briefed on business arising at the Board meetings and that Directors timely receive adequate, complete and reliable information. For the year 2006, the Chairman had fulfilled such responsibilities. The CEO, Mr. Wang Wei (from January 2006 until August 2006) and Mr. Zhang Quan (from August 2006 onwards) has executive responsibilities over the business directions and operational decisions of the day-to-day management and performance of the Group. The Board also comprises independent non-executive Directors who contribute their expertise, experience and independent judgement to the Board. As noted below, all the members of the audit committee of the Company are independent non-executive Directors. Such composition functions to ensure a sufficient independent element in the Board which in turn reflects the good governance practices of the Company.

BOARD COMPOSITION

The Board is chaired by Mr. Fang Hongbo and comprises five executive Directors, being Mr. Fang Hongbo, Mr. Zhang Quan, Mr. Li Dong Lai (appointed on 16 August 2006), Mr. Li Jianwei, Ms. Yuan Liqun (redesignated from non-executive Director to executive Director on 4 January 2007) and Mr. Wang Wei (appointed on 17 January 2006 and resigned on 16 August 2006), two non-executive Directors, being Mr. Zhang Xin Hua and Mr. Chen Yu Hang, and three independent non-executive Directors, Mr. Chan Wai Dune, Mr. Lam Ming Yung and Ms. Chen Chunhua. The biographies of the Directors are set out in pages 30 to 33 herein, which demonstrates a diversity of skills, expertise, experience and qualifications appropriate for the requirements of the business of the Company.

主席及行政總裁

本公司確認董事會主席(「主席」)及本公司行政總裁(「行政總裁」)之不同角色。因此，本公司之主席及行政總裁由不同人士擔任，以加強彼等之責任分工及確保權力均衡。於二零零六年度，方洪波先生獲董事會選為主席以領導董事會，令董事會於本公司業務之策略層面上得以有效運作。就此而言，主席乃負責確保全體董事獲知會於董事會會議產生之事宜，並確保全體董事及時獲得充足、全面及可靠之資料。於二零零六年度，主席已履行該等責任。行政總裁王偉先生(二零零六年一月至二零零六年八月)及張權先生(由二零零六年八月開始)已就本集團日常管理之業務方向和營運方向及業績表現履行責任。董事會亦包括獨立非執行董事；憑藉彼等之專業知識、經驗及獨立判斷為董事會作出貢獻。誠如下文所述，本公司之審核委員會全體成員均為獨立非執行董事。該等組成之功能為確保董事會具有充足之獨立元素，從而反映本公司良好之管治常規。

董事會之組成

董事會由方洪波先生擔任主席，並由五名執行董事包括方洪波先生、張權先生、李東來先生(於二零零六年八月十六日獲委任)，栗建偉先生、袁利群女士(於二零零七年一月四日由非執行董事調任為執行董事)及王偉先生(於二零零六年一月十七日獲委任，並於二零零六年八月十六日辭任)；兩名非執行董事包括張新華先生及陳宇航先生；以及三名獨立非執行董事包括陳維端先生、林明勇先生及陳春花女士所組成。董事之履歷載於本年報第30頁至33頁，顯示出適合本公司業務要求之多元化技能、專業知識、經驗及資歷。

The Directors and the CEO have no financial, business, family or other material/relevant relationships with each other. The balanced board composition of five executive Directors and five non-executive Directors is formed to ensure strong independent element on the Board. The Company has received annual confirmation of independence from each of the three independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are independent within the definition of the Listing Rules. Furthermore, for the year 2006, all the independent non-executive Directors had been expressly identified as such in all corporate communications that disclose the names of the Directors of the Company.

APPOINTMENTS, RE-ELECTION AND REMOVAL

The Code requires that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. At the annual general meeting held on 9 June 2006, the Articles of the Company were amended to comply with the Code such that (i) every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and (ii) the managing director of the Company (if any) shall whilst holding office as such be subject to retirement by rotation at least once every three years and shall be taken into account in determining the number of directors to retire by rotation in each year.

The Articles provides that at every annual general meeting of the Company, and notwithstanding any contractual or other terms on which a Director may be appointed or engaged, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that, notwithstanding anything herein, every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Board is of the view that such mechanism helps to ensure orderly succession to the appointments to the Board and that changes to its composition can be managed without undue disruption.

各董事及行政總裁相互間概無財務、業務、家庭或其他重大／相關之關係。由五名執行董事及五名非執行董事所建立之董事會確保董事會具有強大之獨立元素。本公司已收到三名獨立非執行董事各自根據上市規則第3.13條而發出之年度獨立性確認書。董事會已評估彼等之獨立性，結論為全體獨立非執行董事按上市規則界定均屬獨立。此外，於二零零六年度，全體獨立非執行董事已於所有披露本公司董事名稱之企業通訊內明確識別彼等為獨立董事。

委任、重選及罷免

守則規定，每名董事（包括有特定任期之董事）須最少每三年輪席退任一次。於二零零六年六月九日舉行之股東週年大會上，本公司之組織章程根據守則修訂，致令(i)每名董事（包括有特定任期之董事）須最少每三年輪席退任一次；及(ii)本公司董事總經理（倘有）在任期間須最少每三年輪席退任一次及須計入釐定每年輪席退任之董事人數內。

組織章程規定於本公司每屆股東週年大會上，不論董事獲委任或聘任之任何合約或其他條款，當時三分之一之董事（或倘董事人數並非三之倍數，則以最接近但不少於三分之一之人數為準）須輪席退任，惟不論當中所載內容，每名董事（包括按特定任期委任之董事）須每三年最少輪席退任一次。董事會認為有關機制有助確保董事會之委任作有秩序之更替，從而可管理其組成之變更，避免不適當之干擾。

As at the date of this report, all of the non-executive Directors and independent non-executive Directors have, respectively, entered into a service contract with the Company for a term of two years which commenced on 1 September 2005 and is subject to termination by either party giving not less than one month's written notice. Further, any Director appointed to fill casual vacancy is subject to re-election by the shareholders of the Company at the first annual general meeting after his/her appointment in accordance with the Articles.

The Company has not established a nomination committee, the establishment of which is a recommended best practice by The Stock Exchange of Hong Kong Limited, and the selection and approval of new Directors are undertaken by the Board. According to the Articles, the Board has the power from time to time and at any time to appoint any person as a Director either to fill a causal vacancy or as an addition to the Board, subject to re-election by the shareholders at the next annual general meeting. Consideration would be taken, among other things, to the nominee's qualification, experience and ability relevant to the Company's business. It is believed that all members of the Board would collectively have the required professional knowledge and skills in identifying, recruiting and evaluating new nominees to the Board.

During the Year, the Board has examined the employment terms of the Senior Management and gave advice on the same. The independence of independent non-executive Directors had also been assessed by the Board.

RESPONSIBILITIES OF DIRECTORS

To ensure that every newly appointed Director has a proper understanding of the operations and business of the Group and that he/she is fully aware of his/her responsibilities as a Director under the Listing Rules, applicable regulatory requirements and other regulatory requirements and the business and governance policies of the issuer, each of the newly appointed Director is given a comprehensive orientation package containing the above information and requirements. Also, the Directors are continually updated with legal and regulatory development, business and market changes and the strategic development of the Group to facilitate the discharge of their responsibilities.

於本報告日期，全體非執行董事及獨立非執行董事已分別與本公司訂立服務合約，任期由二零零五年九月一日開始為期兩年，並可由其中一方發出不少於一個月之書面通知作出終止。另外，根據組織章程，任何獲委任填補臨時空缺之董事須於其獲委任後之首屆股東週年大會上由本公司股東重選連任。

本公司並無依照香港聯合交易所有限公司之建議最佳常規成立提名委員會。新董事之甄選及批准由董事會負責。根據組織章程，董事會有權不時及隨時委任任何人士出任董事，以填補臨時空缺或作為新增董事會成員，惟有關董事須於下一屆股東週年大會上經由股東重選。委任董事之考慮因素包括候選人在有關本公司業務之資歷、經驗及能力。本公司相信，董事會全體成員均具備所需之專業知識及技能，以物色、招聘及評核新加盟董事會之候選人。

本年度內，董事會已審閱高級管理層之聘用條款，並就此提出意見。董事會亦已評估獨立非執行董事之獨立性。

董事之責任

為確保每名新任董事對本集團之業務及運作均有恰當之了解，並確保彼已完全知悉彼根據上市規則、適用之監管規定及其他監管規定以及發行人之業務及管治政策作為董事之責任，每名新任董事均獲提供一套全面之迎新資料，內載上述資料及規定。另外，法規及監管事宜上之發展、業務及市場變化以及本集團之策略性發展如有新資料，亦會知會董事，以協助彼等履行責任。

The non-executive Directors take an active role in Board meeting, contribute to the development of strategies and policies and make sound judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct. They will take lead where potential conflicts of interests arise. They are also members of various Committees and scrutinize the overall performance of the Group in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct rules (the "Model Code") regarding securities transactions by Directors on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules. After making specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code for the year 2006.

SUPPLY OF AND ACCESS TO INFORMATION

In respect of regular Board meetings, an agenda and accompanying Board papers are sent in full to all Directors at least three days before the date of Board/Committee meeting.

The management has an obligation to supply the Board and the Committees with adequate information in a timely manner to enable the Board make informed decisions. Where any Director requires more information than is volunteered by the management, each Director may contact the Senior Management through individual and independent channels to make further enquires if necessary and such enquiries will be responded by the management within a reasonable time with sufficient details. Furthermore, Board papers and minutes are made available for inspection by Directors and Committee members.

非執行董事於董事會會議中擔當積極主動之角色，為策略及政策之發展作出貢獻，並就策略、政策、業績表現、問責性、資源、主要委任及操守準則等事宜作出合理判斷。倘產生潛在之利益衝突，彼等將作出領導。彼等亦為不同委員會之成員，負責監督本集團之整體業績表現以達致協定之企業目的及目標，同時亦監察業績表現之報告。

董事之證券交易

本公司已就董事進行證券交易採納一套操守規定守則（「標準守則」），其條款不遜於上市規則附錄十所載之上市發行人董事進行證券交易的標準守則之規定。經向全體董事作出特定查詢，本公司確認全體董事於二零零六年度均已遵循標準守則。

資料之提供及使用

就董事會定期會議而言，議程及隨附之會議文件會於董事會／委員會會議日期最少三日前送交全體董事。

管理層有責任向董事會及其委員會適時提供充足資料，以使董事會能夠作出知情決定。倘任何董事所需之資料較管理層自願提供者為多，每名董事均可使用個別及獨立之途徑接觸高級管理層，以於有必要時作進一步查詢，而管理層將於合理時間內詳盡回應有關查詢。另外，會議文件及會議紀錄可供董事及委員會成員隨時查閱。

REMUNERATION COMMITTEE

The Company established its remuneration committee (the "Remuneration Committee") in September 2005.

The major roles and functions of the Remuneration Committee include:

- (i) 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 procedures for developing policy on such remuneration;
- (ii) To have the delegated responsibility to determine the remuneration packages of all executive Directors and Senior Management, including benefits in kind, pension rights and compensation payment, 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;
- (iii) To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (iv) 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; and
- (v) To ensure that no Director or any of his associates is involved in deciding his own remuneration.

薪酬委員會

本公司於二零零五年九月成立其薪酬委員會（「薪酬委員會」）。

薪酬委員會之主要角色及職能包括：

- (i) 就本公司董事及高級管理層之全體薪酬政策及架構，及就設立正規而具透明度之程序制訂此等薪酬政策，向董事會提出建議；
- (ii) 獲授予以下責任，即釐定全體執行董事及高級管理層之薪酬待遇，包括非金錢利益、退休金權利及賠償金額（包括喪失或終止職務或委任之賠償），並就非執行董事之薪酬向董事會提出建議。薪酬委員會應考慮之因素包括同類公司支付之薪酬、董事須付出之時間及董事職責、集團內其他職位之聘用條件及是否應按表現釐定薪酬等；
- (iii) 透過參照董事會不時議決之企業目的及目標，檢討及批准按表現而釐定之薪酬；
- (iv) 檢討及批准就不當行為而解除董事職務或罷免董事涉及之賠償安排，確保有關安排按照相關合約條款釐定，並確保任何賠償金額均屬合理及適當；及
- (v) 確保任何董事或其任何聯繫人不得自行釐定薪酬。

A majority of the members of the Remuneration Committee are independent non-executive Directors. This Committee is chaired by Ms. Chen Chunhua and other members are Mr. Fang Hongbo, Mr. Li Jianwei, Mr. Chan Wai Dune and Mr. Lam Ming Yung. The attendance of each member in the Remuneration Committee meetings is set out as follows:

薪酬委員會之大部分成員均為獨立非執行董事。該委員會由陳春花女士擔任主席，其他成員包括方洪波先生、栗建偉先生、陳維端先生及林明勇先生。各成員出席薪酬委員會會議之記錄如下：

Total number of Remuneration Committee meeting for the year 2006		二零零六年度 薪酬委員會會議總數		
			Number of attendance 出席次數	Attendance rate 出席率
Executive Directors	執行董事			
Mr. FANG Hongbo	方洪波先生		2	100%
Mr. LI Jianwei	栗建偉先生		2	100%
Independent non-executive Directors	獨立非執行董事			
Mr. CHAN Wai Dune	陳維端先生		1	50%
Mr. LAM Ming Yung	林明勇先生		2	100%
Ms. CHEN Chunhua	陳春花女士		2	100%

For the year 2006, the Remuneration Committee had considered the annual salary review for executive Directors and non-executive Directors and made recommendations to the Board after consultations with the Chairman or the CEO.

於二零零六年度，薪酬委員會已考慮執行董事與非執行董事之年度薪金檢討，並於諮詢主席或行政總裁後向董事會作出建議。

The Company's remuneration policy for the Directors and Senior Management are set on the basis that the corporate performance of the Company was contributed by the work performance of them, which in turn was reflected by their remuneration level. For the purpose of determining the level of remuneration of Directors and Senior Management, appraisal of their work performance of Directors and Senior Management had been conducted during the Year. Such work performance of Directors and Senior Management was judged by the extent to which the Company's budget target was met, the financial performance of the Company in terms of sales revenue and net profits as disclosed in the audited financial report. Such work performance appraisal was conducted by the Remuneration Committee who would provide their advice as to the remuneration level of the Directors and the Senior Management. Remuneration of Directors and Senior Management is determined in general meetings according to related policies, the recommendation by the Remuneration Committee and the actual financial position of the Company.

During the Year, all independent non-executive Directors are paid director fees while the remaining Directors are not paid any director fees by the Company.

The Remuneration Committee is provided with sufficient resources, including the advice of professional firms, to discharge its duties, if necessary.

AUDIT COMMITTEE

The Company established its audit committee (the "Audit Committee") in August 1999.

The major roles and functions of the Audit Committee:

- (i) To be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

本公司對董事及高級管理層之薪酬政策建基於彼等之工作表現為本公司之企業業績所帶來之貢獻，並由彼等之薪酬水平作出反映。為釐定董事及高級管理層之薪酬水平，年內已對董事及高級管理層之工作表現作出評估。董事及高級管理層之有關工作表現乃透過本公司預算目標之完成程度、本公司按經審核財務報告所披露之銷售收益及純利釐定之財務表現而作出判斷。薪酬委員會負責進行有關之工作表現評估，並就董事及高級管理層之薪酬水平提供意見。董事及高級管理層之薪酬於股東大會上按照相關政策、薪酬委員會之建議及本公司之實際財政狀況釐定。

於本年度內，全體獨立非執行董事均獲本公司支付董事袍金，而其餘董事則不獲本公司支付任何董事袍金。

薪酬委員會在有需要時獲提供足夠資源（包括專家意見）以履行其職責。

審核委員會

本公司於一九九九年八月成立其審核委員會（「審核委員會」）。

審核委員會之主要角色及職能包括：

- (i) 主要負責就外聘核數師之委任、重新委任及罷免向董事會提供建議、批准外聘核數師之薪酬及聘用條款，及處理任何有關該核數師辭任或罷免之問題；

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|---|---|
| (ii) To monitor integrity of financial statements of the Company and the Company's annual report and accounts and half-year report, to review significant financial reporting judgments contained in them, and to review the Company's annual report and accounts, half-year report before submission to the Board; | (ii) 監察本公司之財務報表及本公司年度報告及賬目、半年度報告之完整性，並審閱報表所載有關財務報告中之重要判斷，及在向董事會提交前審閱本公司年度報告及賬目、半年度報告； |
| (iii) To review the Company's financial controls, internal control and risk management systems; | (iii) 檢討本公司之財務監控、內部監控及風險管理制度； |
| (iv) To discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system; | (iv) 與管理層討論內部監控系統，確保管理層已履行職責，建立有效之內部監控系統； |
| (v) To review the Group's financial and accounting policies and practices; and | (v) 檢討本集團之財務及會計政策及常規；及 |
| (vi) To report to the Board on the matters set out in this code provision. | (vi) 向董事會報告本守則條文所載之事宜。 |

The Audit Committee comprises all three independent non-executive Directors. The Audit Committee has been chaired by Mr. Chan Wai Dune since August 1999 and other members are Mr. Lam Ming Yung and Ms. Chen Chunhua. The attendance of each member is set out as follows:

審核委員會由全體三名獨立非執行董事組成。自一九九九年八月起，審核委員會由陳維端先生擔任主席，其他成員包括林明勇先生及陳春花女士。各成員出席之記錄如下：

Total number of Audit Committee meetings for the year 2006	二零零六年度 審核委員會會議總數	4
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	Number of attendance 出席次數	Attendance rate 出席率
Independent non-executive Directors 獨立非執行董事		
Mr. CHAN Wai Dune	陳維端先生 4	100%
Mr. LAM Ming Yung	林明勇先生 4	100%
Ms. CHEN Chunhua	陳春花女士 3	75%

Full minutes of Audit Committee meetings are kept by the Secretary who serves also as secretary of the meetings of Audit Committee. Draft and final versions of minutes of the Audit Committee meetings are sent to all members of the Committee for their comments and records respectively, in both cases generally within 14 days after the meeting.

During the Year, the Audit Committee had convened 4 meetings and all meetings were chaired by Mr. Chan Wai Dune, the Committee chairperson. The work performed by the Audit Committee during the Year included:

- (i) reviewing the Group's annual and interim reports;
- (ii) reviewing and advising on the terms of engagement and other matters relating to the external auditors of the Company;
- (iii) reviewing and advising on the system of internal control of the Company;
- (iv) reviewing and confirming that the Company's connected transactions are entered in normal commercial terms, fair and reasonable, and in the interests of the shareholders of the Company as a whole; and
- (v) advising on significant events of the Company and highlight to the management the related risks.

The Audit Committee was provided with sufficient resources in order to discharge its duties.

The Board agrees with the Audit Committee's proposal for the reappointment of Messrs. PricewaterhouseCoopers as the Company's external auditor for 2007. The recommendation will be put forward for the approval of shareholders of the Company at the forthcoming annual general meeting.

None of the three Audit Committee members are former partner of Messrs. PricewaterhouseCoopers.

審核委員會之完整會議紀錄由秘書(同時擔任審核委員會會議之秘書)保存。審核委員會會議紀錄之初稿及最後定稿一般在會議後14日內先後送交委員會全體成員，初稿供成員表達意見，最後定稿作其紀錄之用。

於本年度內，審核委員會已召開4次會議，全部由委員會主席陳維端先生主持。年內審核委員會所履行之工作包括：

- (i) 審閱本集團之年度及中期報告；
- (ii) 就有關本公司之外聘核數師之聘用條款及其他事項作出檢討及建議；
- (iii) 就本公司之內部監控系統作出檢討及建議；
- (iv) 檢討及確認本公司之關連交易乃按一般商業條款訂立、屬公平合理及符合本公司股東之整體利益；及
- (v) 就本公司之重大事項提出意見，並向管理層強調有關風險。

審核委員會獲提供足夠資源以履行其職責。

董事會同意審核委員會建議重新委任羅兵咸永道會計師事務所為本公司二零零七年之外聘核數師。該建議將於應屆股東週年大會上提呈本公司股東批准。

三名審核委員會成員均非羅兵咸永道會計師事務所之前合夥人。

During the Year, the remuneration paid to the Company's external Hong Kong auditors, Messrs. PricewaterhouseCoopers, is set out as follows:

於本年度內，向本公司外聘香港核數師羅兵咸永道會計師事務所支付之酬金載列如下：

		Fee paid/payable 已付／應付費用 HK\$'000 港幣千元
Audit services	核數服務	1,891
Non-audit services	非核數服務	
Interim review and review of continuing connected transactions	中期審閱及審閱持續關連交易	1,219
Total	合計	3,110

EXECUTIVE COMMITTEE

The Company established its executive committee (the "Executive Committee") in April 2006. The Executive Committee is responsible for discussing and determination of the Group's routine operation and administrative matters. The members of the Executive Committee are executive Directors of the Company and comprised of Mr. Fang Hongbo, Mr. Zhang Quan, Mr. Li Dong Lai, and Mr. Li Jianwei. The attendance of each member is set out as below:

行政委員會

本公司於二零零六年四月成立其行政委員會（「行政委員會」）。行政委員會負責討論及釐定本集團之例行運作及行政事宜。行政委員會成員為本公司之執行董事，包括方洪波先生、張權先生、李東來先生及栗建偉先生。各成員出席之記錄載列如下：

Total number of Executive Committee meetings for the year 2006	二零零六年度 行政委員會會議總數		
		Number of attendance 出席次數	Attendance rate 出席率
Executive Directors	執行董事		
Mr. FANG Hongbo	方洪波先生	2	100%
Mr. ZHANG Quan	張權先生	2	100%
Mr. LI Dong Lai	李東來先生	2	100%
Mr. LI Jianwei	栗建偉先生	2	100%

The Executive Committee is provided with sufficient resources, including the advice of professional firms, to discharge its duties, if necessary.

行政委員會在有需要時獲提供足夠資源（包括專家意見）以履行其職責。

ACCOUNTABILITY AND AUDIT

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

The Directors acknowledge their responsibility for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to shareholders. The Directors aim to present a balanced and reasonable assessment of the Group's position and prospects.

The Group incurred a loss attributable to the equity holders of the Company of HK\$112,647,000 for the year ended 31 December 2006. In addition, the Group had net current liabilities and net liabilities of HK\$687,039,000 and HK\$300,490,000, respectively, as at 31 December 2006. Nevertheless, the Directors have adopted the going concern basis in the preparation of these consolidated financial statements based on the assumptions disclosed in note 2.1 to the consolidated financial statements.

In the opinion of the Directors, in light of the measures taken to date and on the basis of the mentioned major assumptions disclosed in note 2.1 to the financial statements, the Group will have sufficient working capital to finance its operation to maintain its operating existence in the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Board acknowledges its responsibility to present a balanced, clear and comprehensible assessment in the Company's annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements.

問責及審核

於董事會就提交予董事會批准之財務及其他資料作出知情評估前，管理層會向董事會提供相關資料及解釋。

董事知悉彼等之責任，為每個財政年度編製財務報表（以真實及公平地反映本集團之財政狀況）、呈報中期及年度財務報表及向股東作出公佈。董事旨在呈報對本集團現況及展望之平衡合理之評估。

截至二零零六年十二月三十一日止年度，本集團錄得本公司股權持有人應佔虧損港幣112,647,000元。另外，本集團於二零零六年十二月三十一日之淨流動負債及淨負債分別為港幣687,039,000元及港幣300,490,000元。然而，該等綜合財務報表乃董事採納持續經營之基準，並基於綜合財務報表附註2.1所披露之各項假設後編製而成。

董事認為，基於迄今已採取之措施及財務報表附註2.1所披露之主要假設，本集團將可獲取足夠之營運資金以支持本集團於可預見未來之經營需要。因此，董事確認綜合財務報表按持續經營之基準編製乃屬恰當。

董事會知悉彼等之責任，於本公司之年度及中期報告、其他涉及股價敏感資料之公佈及根據上市規則規定須予披露之其他財務資料，以及向監管者提交之報告以至根據法例規定須予披露之資料中呈報平衡、清晰及詳細之評估。

INTERNAL CONTROLS

The Board is responsible for maintaining a sound and effective system of internal controls in the Company and for reviewing its effectiveness through the Audit Committee. The internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement, fraud or loss and to manage, but not to eliminate, risks of failure in achieving the Company's objective.

The internal control system, which includes a defined management structure with specified limits of authority, is designed to (a) help the achievement of business objectives, and safeguard the Company's assets; (b) ensure proper maintenance of accounting records; and (c) ensure compliance with relevant legislation and regulations.

The management maintains and monitors the system of controls, including financial, operation, compliance controls and risk management functions, on an ongoing basis.

The Company had a full set of Internal Control System manual which is approved by the Board. This manual contains a comprehensive overview and description of the objectives, content, methods and duties of the internal control system, and facilitates the ongoing examination and evaluation of the Company's compliance with existing rules and regulations and of the effectiveness of internal control. During the Year and as at the date of this annual report, the Company consistently applied the full set of manual which covers the control of the high risk areas of operation, suppliers, sales, finance and personnel management. The Board has, through the Audit Committee, carried out ongoing examination and monitoring of the Group's internal control system.

During the Year, based on the evaluations made by the management, the Audit Committee was satisfied that the internal controls and accounting systems of the Group have been in place and function effectively and are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

內部監控

董事會負責確保本公司之內部監控系統完善且行之有效，並透過審核委員會檢討系統之成效。內部監控系統旨在提供合理（但非絕對）保證，避免出現錯誤陳述、欺詐或損失，以及管理（但非消除）未能達致本公司目標之風險。

內部監控系統包括一套設有特定權限之界定管理架構，旨在(a)協助達致業務目標，保障本公司資產；(b)確保妥善存置會計記錄；及(c)確保遵照相關法例及法規。

管理層持續維護及監察監控系統，包括其財務、業務、合規監控及風險管理功能。

本公司備有一套經由董事會批准之完整內部監控系統手冊。此手冊載有內部監控系統各項目標、內容、方法及職責之綜合概覽及描述，有助持續審查及評估本公司是否符合現行規則及法規，以及監控系統之成效。於本年度及本年報日期，本公司貫徹應用整套手冊，涵蓋業務、供應商、銷售、財務及人事管理等高風險範疇之監控。董事會已透過審核委員會持續審查及監察本集團之內部監控系統。

於本年度，審核委員會經考慮管理層作出之評估後，信納本集團之內部監控及會計系統已獲落實執行並行之有效：合理確保重大資產獲得保障，識別本集團面對之業務風險，以及持續識別、評估及管理本集團面對之重大風險。

COMMUNICATION WITH SHAREHOLDERS

For the year 2006, separate resolutions had been proposed by the chairman of that meeting in respect of each substantially separate issue at each of the general meetings of the Company.

The Chairman of the Board, Mr. Fang Hongbo did not attend the annual general meeting of the Company held on 9 June 2006 as he was overseas for a sudden business engagement. The CEO attended the said annual general meeting on his behalf to chair the meeting and answer shareholders' questions.

DELEGATION BY THE BOARD

The day-to-day management of the Company is delegated to the management, with each division responsible for different aspects of the business of the Company.

Major corporate matters that are specifically delegated by the Board to the management include the preparation of interim and annual reports and announcements for the Board approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

BOARD COMMITTEES

The Board has established three Committees with defined scope of duties in written form. The Committees are the Audit Committee, Remuneration Committee and Executive Committee.

The scope of duties of the Committees are posted in the Company's website <http://www.hualing.com>.

Each Committee will report to the Board as a whole the findings of its meetings and submit the minutes of the same.

與股東之溝通

於二零零六年度，會議主席已就每項實際獨立之事宜，於本公司各股東大會上提出獨立決議案。

由於董事會主席方洪波先生須臨時出國處理業務事宜，因此並無出席本公司於二零零六年六月九日舉行之股東週年大會。行政總裁已代其出席上述股東週年大會，並擔任會議主席及回應股東提問。

董事會授權

本公司之日常管理已授權予管理層，而各部門負責本公司業務之不同範疇。

董事會向管理層作出特定授權之主要企業事項包括編製中期及年度報告及公佈以供董事會於刊發前批准、執行董事會採納之業務策略及計劃，實行充足之內部監控系統及風險管理程序，以及遵照有關之法例規定及規則與規例。

董事委員會

董事會已成立三個訂有書面特定職權範圍之委員會。該等委員會為審核委員會、薪酬委員會及行政委員會。

該等委員會之職權範圍刊載於本公司網站 <http://www.hualing.com>。

各委員會將向董事會報告其會議結果，並提交其會議紀錄。