

CORPORATE GOVERNANCE REPORT

企業管治報告

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Government Practices (“Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) for the year ended 31 December 2006. The board will continuously review and improve the corporate governance practices and standards of the Company to ensue that business activities and decision making processes are regulated in a proper manner.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules for securities transactions by directors of the Company in 2004. All the members of the board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2006.

BOARD OF DIRECTORS

Composition and role

The board of directors of the Company comprises:

Executive Directors:

執行董事：

HON Kwok Lung (*Chairman*)

韓國龍 (主席)

WANG Shaolan (*Vice Chairman*)

王少蘭 (副主席)

SHANG Jianguang (*Chief Executive Officer*)

商建光 (行政總裁)

SHI Tao

石濤

LAM Toi Man

林代文

Non-executive Director:

非執行董事：

SIT Lai Hei

薛黎曦

Independent Non-executive Directors:

獨立非執行董事：

FUNG Tze Wa

馮子華

KWONG Chun Wai, Michael

鄺俊偉

LI Qiang

李強

企業管治常規

本公司於截至二零零六年十二月三十一日止年度已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常規守則（「守則」）的原則及遵守所有適用守則條文。董事會將不斷檢討及改進本公司的企業管治常規及準則，確保業務活動及決策流程受到妥善規管。

董事進行證券交易

本公司於二零零四年就本公司董事進行證券交易採納上市規則附錄十所載上市發行人董事進行證券交易的標準守則（「標準守則」）。本公司經作出具體查詢後，獲全體董事會成員確認，彼等於截至二零零六年十二月三十一日止年度一直遵守標準守則載列的指定標準。

董事會

成員及角色

本公司董事會成員包括：

BOARD OF DIRECTORS (continued)

Composition and role (continued)

The principal focus of the board is on the overall strategic development and direction of the Group. The board also monitors the financial performance and the internal controls of the Group's business operations. The board has established a clear segregation of duties and responsibilities between the board and the management as to which types of decisions are to be taken by the board and which are to be delegated to management. This segregation of duties and responsibilities will be reviewed by the board on a regularly basis.

The board comprises of five Executive Directors (one of whom is the Chairman and the other of whom is the Chief Executive Officer), one Non-executive Director and three Independent Non-executive Directors. In addition, one of the Independent Non-executive Directors possesses appropriate professional accounting qualifications and financial management expertise. Details of backgrounds and qualifications of directors are set out in the pages 4 to 6 of the Annual Report.

With a wide range of expertise and a balance of skills, the Non-executive Director bring independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct through her participating in board meetings and committee work.

The views of the Independent Non-executive Directors carry significant weight in the board's decision-making process. The board considers that each Independent Non-executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such directors to be independent. The Independent Non-executive Directors are explicitly identified in all corporate communications.

董事會 (續)

成員及角色 (續)

董事會主要負責制定本集團的整體策略發展及方向。董事會亦監管本集團業務營運的財務表現及內部監控。董事會已清晰劃分董事會與管理層的職務及職責，以釐定董事會作出的決策類別及管理層獲指派的工作。董事會將定期檢討該等職務及職責的分工。

董事會由五名執行董事（其中一名為主席，另外一名為行政總裁）、一名非執行董事及三名獨立非執行董事組成。此外，其中一名獨立非執行董事擁有適當專業會計資格及財務管理知識。各董事的履歷及專業資格載於年報第4至第6頁

非執行董事憑藉廣泛專業知識及各方技能，透過參與董事會會議及委員會事務，就策略、政策、表現、問責、資源、重要委聘及操守準則各項事宜作出獨立判斷。

獨立非執行董事的意見於董事會決策過程中發揮重大影響力。董事會認為，各獨立非執行董事在身分及判斷力上均互相獨立，而彼等均符合上市規則所規定的指定獨立條件。本公司已接獲每名獨立非執行董事根據上市規則第3.13條有關其獨立身分的年度確認函，而本公司認為該等董事仍具獨立性。所有企業通訊內均明確識別各獨立非執行董事的身分。

BOARD OF DIRECTORS (continued)

Composition and role (continued)

The board meets regularly throughout the year to review the overall strategy, discuss business opportunities and to monitor the operation as well as the financial performance of the Group. With the assistance of the Company Secretary, the Chairman and the Chief Executive Officer are primarily responsible for drawing up and approving the agenda for each board meeting in consultation with all directors. Notice of at least 14 days have been given to all directors for all regular board meetings and the directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent out in full to all directors within reasonable time prior to confirmation.

Minutes of board meetings and meetings of board committees are kept by duly appointed secretaries of the respective meetings and all directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the board to make an informed decision on matters placed before it.

Save as mentioned below, there is no relationship among members of the board:

- (i) Mr. Lam Toi Man (Executive Director) is the brother-in-law of Mr. Hon Kwok Lung (Chairman of the board).
- (ii) Ms. Sit Lai Hei (Non-executive Director) is the daughter-in-law of Mr. Hon Kwok Lung and Ms. Sit's husband is a nephew of Mr. Lam Tai Man.

董事會 (續)

成員及角色 (續)

董事會於年內定期開會檢討整體策略、討論業務商機及監管本集團營運及財務表現。在公司秘書的協助下，主席及行政總裁主要負責在諮詢全體董事後，草擬及批准各董事會會議的議程。董事會就所有董事會例會向全體董事發出最少十四日通知，而董事可於需要時在議程內納入討論課題。有關董事會例會的議程及隨附董事會文件均於確認前在合理時間內全部寄交各董事。

董事會及董事委員會的會議記錄均由各會議經正式委任的秘書保管。所有董事均可取閱董事會文件及相關資料，並適時獲取充足資料，確保董事會就有待處理事宜作出知情決定。

除下文所述者外，董事會成員間並無任何關係：

- (i) 執行董事林代文先生為董事會主席韓國龍先生的妻舅。
- (ii) 非執行董事薛黎曦女士為韓國龍先生的媳婦，而薛女士的丈夫則為林代文先生的外甥。

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BOARD OF DIRECTORS (continued)

董事會 (續)

Composition and role (continued)

成員及角色 (續)

During the year, five board meetings were held and the individual attendance of each director is set out below:

年內，本公司共舉行五次董事會會議，個別董事之出席率載列如下：

Name of director 董事姓名		Number of board meetings attended 出席董事會會議次數	Attendance rate 出席率
HON Kwok Lung	韓國龍	2/5	40%
WANG Shaolan	王少蘭	2/5	40%
SHANG Jianguang	商建光	5/5	100%
SHI Tao	石濤	4/5	80%
LAM Toi Man	林代文	1/5	20%
SIT Lai Hei	薛黎曦	2/5	40%
FUNG Tze Wa	馮子華	5/5	100%
KWONG Chun Wai, Michael	鄭俊偉	5/5	100%
LI Qiang	李強	5/5	100%

Chairman and Chief Executive Officer

主席及行政總裁

The roles of Chairman and Chief Executive Officer are separate and performed by two different individuals namely, Mr. Hon Kwok Lung as the Chairman and Mr. Shang Jianguang as the Chief Executive Officer. As such, there is a clear division of the responsibilities at the board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

主席及行政總裁的角色有獨立區分，並由兩名不同人士出任，主席為韓國龍先生，而行政總裁則為商建光先生。因此，董事會各項職責獲清晰劃分，確保權力及職權得以取得平衡，使權力不會集中於任何一名個別人士身上。

BOARD OF DIRECTORS (continued)

Re-election of Directors

Each of the directors is appointed for a specific term and is subject to the rotation provision of the Company's Articles of Association and shall retire at least once every three years.

Pursuant to the existing Articles of Association of the Company, at every annual general meeting, one-third of the directors for the time being or, if their number is not a multiple of three, then the number nearest to but not greater than one-third shall retire from office. Besides, the Company will ensure full compliance with the Code provision that every director should be subject to retirement by rotation at least once every three years.

In order to bring the Company's Articles of Association in alignment with code A.4.2 of the Code, the Company proposes to seek approval from the shareholders of the Company at the annual general meeting on amendments to Articles 99 and 116 of the Company's Articles of Association so that any director elected to fill a casual vacancy shall hold office only until the next following general meeting of the Company.

Remuneration Committee

Members of the Remuneration Committee are Mr. Fung Tze Wa (Committee Chairman), Dr. Kwong Chun Wai, Michael, Mr. Li Qiang, Mr. Hon Kwok Lung and Mr. Shang Jianguang.

The majority of the Remuneration Committee members are Independent Non-executive Directors. The Remuneration Committee recommends the board on the Group's overall 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. The Remuneration Committee ensures that no director or any of his/her associates is involved in deciding his/her own remuneration. The terms of reference of the Remuneration Committee were adopted are consistent with the requirements of the Code, a copy of which is posted on the Company's website.

董事會 (續)

重選董事

各董事均按指定任期獲委任，且須遵守本公司章程細則有關輪值退任的條文，至少須每三年退任一次。

根據本公司的現行組織章程細則規定，於每屆股東週年大會上，當時三分之一董事，或倘有關人數並非三的倍數則最接近但不超過三分之一的董事須退任。此外，本公司將確保全面遵守有關每名董事須最少每三年輪值退任一次的守則條文。

為令本公司的組織章程細則與守則第A.4.2條一致，本公司建議於股東週年大會上徵求本公司股東批准，修訂本公司組織章程細則第99及116條，以致獲選填補臨時空缺的董事任期僅至本公司下屆股東大會為止。

薪酬委員會

薪酬委員會的成員包括馮子華先生（委員會主席）、鄭俊偉博士、李強先生、韓國龍先生及商建光先生。

薪酬委員會大多數成員均為獨立非執行董事。薪酬委員會就本集團所有董事及高層管理人員薪酬的整體政策及結構，以及就制定薪酬政策確立正規而具透明度程序，向董事會提出建議。薪酬委員會須確保董事或其任何聯繫人士均不得參與釐定其本身薪酬。薪酬委員會已採納與守則規定貫徹一致之書面職權範圍。有關書面職權範圍已刊載於本公司網站。

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BOARD OF DIRECTORS (continued)

董事會 (續)

Remuneration Committee (continued)

薪酬委員會 (續)

The Remuneration Committee has met once on 25 August 2006 to review the main elements of the Company's remuneration policy for directors and senior management, and to review and approve the specific remuneration packages of all directors and senior management.

薪酬委員會曾於二零零六年八月二十五日舉行會議，以檢討本公司董事及高層管理人員薪酬政策的主要內容，並審閱及批准全體董事及高層管理人員的具體薪酬組合。

During the year, one Remuneration Committee meeting was held. The individual attendance of each member is set out below:

年內，薪酬委員會曾舉行一次會議，個別成員的出席率載列如下：

Name of director 董事姓名		Number of meetings attended 出席薪酬委員會會議次數	Attendance rate 出席率
FUNG Tze Wa	馮子華	1/1	100%
KWONG Chun Wai, Michael	鄺俊偉	1/1	100%
LI Qiang	李強	1/1	100%
HON Kwok Lung	韓國龍	1/1	100%
SHANG Jianguang	商建光	1/1	100%

Nomination of Directors

董事提名

The Company has not established a Nomination Committee. The board will assume the responsibilities to manage the matters relating to appointment and removal of directors.

本公司並無設立提名委員會。董事會將承擔管理董事任免事宜。

During the year under review, as the board had no plan to nominate new directors and the respective terms of service for all the existing directors are still in effect, the board has not yet discussed or set up the nomination procedures and the process and criteria to select and recommend candidates for directorship during the year.

回顧年度內，由於董事會並無計劃委任新任董事，而全體現任董事各自的任期仍然生效。因此於年內，董事會尚未討論或訂立提名程序以及甄選及推薦候任董事的程序及準則。

BOARD OF DIRECTORS (continued)

Audit Committee

Members of the Audit Committee are Mr. Fung Tze Wa (Committee Chairman), Dr. Kwong Chun Wai, Michael and Mr. Li Qiang.

All members of the Audit Committee are Independent Non-executive Directors. The board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The written terms of reference which describe the authority and duties of the Audit Committee were adopted in 1999 and subsequently revised on 23 August 2005 to conform to the provisions of the Code, a copy of which is posted on the Company's website.

During the year under review, the Audit Committee has met four times to review the reporting of financial (including half-yearly and annual results) and other information to shareholders, the system of internal controls, risk management, effectiveness and objectivity of the audit process as well as to perform its other duties set out in this terms of reference. Besides, the Audit Committee has discussed the resignation and approval of auditors. Mr. Fung Tze Wah, Committee Chairman, has visited three subsidiaries and enquired about and comment on the matters related to system of internal controls and risk management of those subsidiaries.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the accounts for the year ended 31 December 2006.

董事會 (續)

審核委員會

審核委員會成員包括馮子華先生 (委員會主席)、鄭俊偉博士及李強先生。

全體審核委員會成員均為獨立非執行董事。董事會認為，各審核委員會成員均擁有廣博的商業經驗，而審核委員會於營運、會計及財務管理方面亦具備適當且多元化的經驗。審核委員會的組成及成員均符合上市規則第3.21條規定。詳述審核委員會的權力及職責的書面職權範圍，已於一九九九年獲採納，其後於二零零五年八月二十三日獲修訂，以符合守則條文的規定。有關書面職權範圍已刊載於本公司網站。

回顧年度內，審核委員會共舉行四次會議，以審閱包括中期及年度業績的財務報告與須向股東提供的其他資料、內部監控系統、風險管理、核數程序的成效與客觀性以及履行職權範圍所載其他職務。此外，審核委員會已就核數師的呈辭及批准事宜進行商討。委員會主席馮子華先生曾視察三間附屬公司，並查詢有關該等附屬公司的內部監控制度及風險管理等事項並作出評價。

審核委員會已與管理層審閱本集團採納的會計準則及慣例，並討論內部監控及財務申報事宜，包括審閱截至二零零六年十二月三十一日止年度賬目。

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企業管治報告

BOARD OF DIRECTORS (continued)

董事會 (續)

Audit Committee (continued)

審核委員會 (續)

During the year, four Audit Committee meetings were held and the individual attendance of each member is set out below:

年內，審核委員會共舉行四次會議，個別成員的出席率載列如下：

Name of director 董事姓名		Number of meetings attended 出席審核委員會會議次數	Attendance rate 出席率
FUNG Tze Wa	馮子華	4/4	100%
KWONG Chun Wai, Michael	鄺俊偉	4/4	100%
LI Qiang	李強	4/4	100%

AUDITORS' REMUNERATION

核數師酬金

For the year ended 31 December 2006, the Company has paid an audit fee of HK\$1,480,000 in relation to the audit services for the financial statements for the year ended 31 December 2005.

截至二零零六年十二月三十一日止年度，本公司就截至二零零五年十二月三十一日止年度財務報表之審核服務支付1,480,000港元核數費用。

INTERNAL CONTROLS

內部監控

The board has overall responsibility for maintaining an adequate system of internal controls of the Company and for reviewing its effectiveness. The board is committed to implementing an effective and sound internal controls system to safeguard the interest of shareholders and the Group's assets. The board has delegated to management the implementation of the system of internal controls and reviewing of all relevant financial, operational, compliance controls and risk management function within an established framework and reporting to the board and Audit Committee on its material findings.

董事會對維持本公司完善內部監控制度及檢討其成效承擔整體責任。董事會致力推行有效及穩健的內部監控制度，保障股東利益及本集團資產。董事會已委派管理層推行內部監控制度，並檢討已建立架構內所有相關財務、營運、合規監控及風險管理職能，並向董事會及審核委員會匯報重要發現。

CORPORATE GOVERNANCE REPORT

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DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation of accounts for 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 31 December 2006, the directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis. The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain a high level of transparency in communicating with shareholders and the investment community at large. In order to ensure effective, clear and accurate communications with the shareholders and investors, all corporate communications are arranged and handled by the Executive Directors and designated senior executives according to established practices and procedures of the Company.

The Company has announced its annual results and interim results in a timely manner during the year under review, which is within the time limits set out in the Listing Rules. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the re-election of individual directors. In addition, procedures for demanding a poll are included in the circular to shareholders dispatched together with the annual report.

The Company has also maintained a website at www.chinahaidian.com which enables shareholders, investors and the general public to have access to the information of the Company on a timely basis. Financial information and all shareholder corporate communications of the Company are made available on the Company's website and updated regularly.

董事責任聲明

董事負責編製各財政期間的賬目，該等賬目真確反映本集團於該期間的事務、業績及現金流量。編製截至二零零六年十二月三十一日止年度賬目時，董事選用及貫徹應用適當會計政策；採納適當香港財務申報準則及香港會計準則；作出多項審慎合理的調整及估計；以及按持續經營基準編製賬目。董事亦有責任存管適當會計記錄，於任何時間合理準確地披露本公司的財政狀況。

投資者關係及溝通

本公司致力維持高水平透明度，務求與股東及投資界大眾連繫溝通。為確保與股東及投資者維持有效、清晰而準確的溝通渠道，所有公司通訊由執行董事及指定高層管理人員，根據本公司的既定慣例及程序安排及處理。

回顧年度內，本公司於上市規則所載時限內，適時公佈其全年及中期業績。於股東大會就各重大個別事項（包括重選個別董事）提呈獨立決議案。此外，要求按股數投票表決的程序已載入連同年報一併送交股東的通函內。

本公司另設立網站www.chinahaidian.com，供股東、投資者及公眾人士適時瀏覽本公司資料。本公司財務資料及所有與股東的公司通訊均刊載於本公司網站，並會定期更新。