

Corporate governance

The Board of Directors and senior management of the Company are committed to maintaining a high standard of corporate governance and it remains as one of the Company's top priorities. We firmly believe that to maintain a good, solid and sensible framework of corporate governance will ensure the Company to run its business in the best interests of its shareholders and its stakeholders.

BOARD OF DIRECTORS

The Board of Directors (the "Board") of the Company consists of 13 executive directors, 4 independent non-executive directors and 1 non-executive director.

The Board is charged with leading the Group (the Company and its subsidiaries) in a responsible and effective manner. Each director has to carry out his/her duties in utmost good faith above and beyond any prevailing applicable laws and regulations and act in the best interests of the shareholders and stakeholders. The duties of the Board include establishing the strategic direction of the Group, setting objectives and monitoring the performance of the senior management.

To ensure their independence, accountability and responsibility, the roles of the Chairman and the Vice Chairman are separate from that of the Managing Director. The Managing Director, supported by other board members and the senior management, is responsible for managing the Group's business, implementation of major strategies, day-to-day decision making and co-ordination of overall business operations. The Chairman and the Vice Chairman are responsible for formulating the overall strategies and policies of the Company.

The independent non-executive directors, all of whom are independent of the management of the Company, are highly experienced professionals coming from a diversified industrial background. They ensure that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate

check and balance to safeguard the interests of shareholders and the Company as a whole.

According to the bye-laws of the Company, one-third of the directors shall retire from office by rotation but shall be eligible for re-election at the Annual General Meeting. The Chairman and the Managing Director are not subject to retirement by rotation whilst holding office, but are subject to re-election by shareholders at the Annual General Meeting in their first year of appointment.

The full Board meets no less than twice a year to review the financial and operating performance of the Group. Financial Controller and Company Secretary also attend all board meetings to advise on statutory compliance, accounting and financial matters.

There were two board meetings held in the year of 2002 and the average attendance rate was 70.61% (please refer to the table below for the attendance record of the previous years). All businesses transacted at the above meetings are well-documented and maintained in accordance with applicable laws and regulations.

Date of Board Meeting	Total no. of Directors	No. of Directors Present	Attendance Rate
5th September 2002	19	11	57.89%
27th March 2002	18	15	83.33%
6th September 2001	16	9	56.25%
29th March 2001	16	14	87.50%
6th September 2000	15	10	66.66%
28th March 2000	15	14	93.33%

FINANCIAL CONTROLLER

The Financial Controller is responsible for the preparation of the interim and annual financial statements based on generally accepted accounting principles in Hong Kong. The Financial Controller has to ensure that the financial statements present fairly the results and the financial position of the Company and

comply with the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. In addition, the Financial Controller is responsible for preparing the annual financial budget of the Company for approval by the Board of Directors. The Financial Controller also plays a role of reviewing and making recommendations to the Board on the Group's financial risk management.

COMPANY SECRETARY

The Company Secretary is responsible directly to the Board to ensure applicable laws and regulations are complied with and to ensure that the Board procedures are strictly followed. The Company Secretary is also responsible for providing advices to the Board on directors' obligations on disclosure of interests in securities, disclosure of discloseable transactions, connected transactions and price-sensitive information. The Company Secretary has to advise the Board on disclosure of information in a true, accurate, complete and timely manner in strict compliance with the requirements of the applicable laws, regulations and the Company's bye-laws.

BOARD COMMITTEES

The Board has approved and appointed a number of Board Committees.

(1) Audit Committee

The Audit Committee, chaired by Mr. Alexander Reid HAMILTON, was established by the Board of the Company in August 1998 with defined terms of reference. Other members are Dr. LI Kwok Po, David and Mr. LEE Yip Wah, Peter. All the committee members are independent non-executive directors of the Company and are well-versed in the accounting area. The Committee provides advice and recommendations to the Board and oversees all matters relating to the external auditors, thus it plays an important role in monitoring and safeguarding the independence of external auditors. Both the Financial Controller and the

Internal Auditor are directly accountable to the Chairman of the Audit Committee.

The Committee meets no less than twice a year with the senior management and the internal and external auditors to review the accounting principles and practices adopted by the Group and other financial reporting matters, assures the completeness, accuracy and fairness of the financial statements of the Company, discuss the effectiveness of the systems of internal control throughout the Group and most importantly, reviews all significant business affairs managed by the executive directors in particular on connected transactions.

During the financial year 2002, the Committee met twice with an average attendance rate of 83.33% (please refer to the table below for the attendance record of the previous years). All businesses transacted at the above meetings are well-documented and maintained in accordance with applicable laws and regulations.

After each audit committee meeting, the Audit Committee Chairman will present to the Board a written report which highlights any significant issues discussed in the meeting during a board meeting.

(2) Other Committees

During the board meeting held on 26th March 2003, the Board has approved the establishment of three committees, namely, (i) Investment and Strategic Planning Committee (chaired by Mr. SUN Jiakang, the Managing Director of the Company), (ii) Corporate Governance Committee (chaired by Mr. WONG Tin Yau, Kelvin, Executive Director, Deputy Managing Director of the Company) (iii) Risk Management Committee (chaired by Mr. LU Chenggang, Executive Director, Deputy Managing Director of the Company). These three committees expect to have a meeting on a quarterly basis. They will report to the Board on their relevant matters as and when required.

Date of Audit Committee Meeting	Total no. of Audit Committee Members	No. of Committee Members Present	Attendance Rate
26th August 2002	3	2	66.66%
25th March 2002	3	3	100%
29th August 2001	3	2	66.66%
26th March 2001	3	3	100%
25th August 2000	3	3	100%
27th March 2000	3	3	100%

ANNUAL GENERAL MEETING

The Company regards the Annual General Meeting as an important event as it provides an important opportunity for direct communication between the Board and the Company's shareholders. All directors (including executive directors, independent non-executive directors and non-executive director) and senior management will make an effort to attend. All shareholders will be given at least 21 days' notice of the Annual General Meeting and they are encouraged to attend the Annual General Meeting and other shareholders' meetings. Questioning by the shareholders at such meetings are encouraged and welcomed.

INTERNAL CONTROL

The internal control and accounting systems of the Group are designed to provide reasonable assurance that assets are safeguarded against unauthorised use or disposition, that transactions are executed in accordance with management's authorisation and that the accounting records are reliable for preparing financial information used within the business or for publication and maintaining accountability for assets and liabilities.

To establish a sound system of internal controls and safeguard shareholders' interests and the Group's assets, the Company has established an Internal Audit Department since September 2000 which independently reviews the internal controls, evaluates their adequacy, effectiveness and compliance. It has unrestricted right to access to the information that allows it to review all aspects of the Group's activities and internal controls.

The key tasks of the Department is to provide an independent and objective appraisal of activity for the Managing Director and furnishes him with analyses, recommendations, and information concerning the activities reviewed; conduct regularly comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries, both on regular and as-needed basis; conduct special reviews and/or investigations and produce an audit report on each assignment. All concerns which have been reported by the Internal Auditors are monitored by the management until appropriate corrective measures have been implemented. All recommendations for improvement suggested by the Internal Auditors have been taken by the management within an agreed time limit.

The head of the Internal Audit Department reports directly to the Managing Director and the Audit Committee Chairman. This reporting structure allows the Internal Audit Department to remain its independence and to report all items of significance to the Managing Director and the Audit Committee. The head of the Internal Audit Department attends all Audit Committee Meetings and brings appropriate matters to the Committee's attention.

MANAGEMENT MEETINGS

Senior management including all department heads within the Group meet together on a monthly basis to review, discuss and make decisions on financial and operational matters. These meetings, chaired by the Managing Director, can enhance and strengthen departmental communication and cooperation within the Group.

EMPLOYEE POLICIES

The Group has maintained an employee handbook to provide guidance to employees on matters such as employee dealing, ethical standards, the code of conduct of business and code of conduct of employees. The handbook applies to all employees of the Group and they have to ensure strict compliance with the policies therein.

INVESTOR RELATIONS AND COMMUNICATIONS

The Company continues to promote and enhance investor relations and communication with its investors. An intensive communications channel has been maintained with the media, analysts and fund managers through one-on-one meeting, roadshows and conferences.

To foster effective communication, the Company provides extensive information in its Annual Report, Interim Report and also disseminates information relating to the Group and its business electronically through its website (www.coscopac.com.hk) to the public.

TRANSPARENCY OF OWNERSHIP

All shareholders and potential investors are informed of the ownership structure of the Company through its Annual Report, Interim Report, website and public announcements. The list of shareholders is available for inspection through Secretaries Limited which serves as the Hong Kong Branch Registrars of the Company.

CODE OF BEST PRACTICE

Throughout the year, the Company has complied with Code of Best Practice contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

CONCLUSION

The Company strongly believes that the quality and standard of corporate governance reflects the quality of the management and the operations of the Company's business. Good corporate governance can safeguard the proper use of funds and effective allocation of resources and to protect shareholders' interests. The management wholeheartedly advocates of the good practice in corporate governance and will try our best to maintain, strengthen and improve the standard and quality of the Group's corporate governance.