

CORPORATE GOVERNANCE

SHAREHOLDERS AND GENERAL MEETINGS

The shareholding structure of the Company has not changed in the year, with Farsight Holdings Limited and DiChain Holdings Limited, at 31 March 2004, holding in aggregate 59.13% of the issued share capital of the Company.

During the year, one annual general meeting was held in 2003 approving among other things, the election of all members of the Board of Directors of the Company.

BOARD OF DIRECTORS

The Board of Directors comprises nine members, five of whom are executive directors, two are non-executive directors and two are independent non-executive directors. The number of independent non-executive directors will be increased to three shortly and in any event before 30 September 2004.

During the year, three board meetings were held, and all three meetings were attended by all of the non-executive and the independent non-executive directors.

AUDIT COMMITTEE

The Audit Committee comprises the two independent non-executive directors who have the relevant professional qualifications and experience in financial matters. The function of the Audit Committee is to:

- Review the completeness, accuracy and fairness of the interim and annual financial statements
- Review the external auditors' qualifications, independence and performance
- Examine all matters relating to accounting principles and practices adopted by the Company, and discuss and review auditing, internal control and financial reporting matters

Members of the Audit Committee met two times during the year to review the status of the Company's audits, and the interim and annual results of the Company before recommending them to the Board for approval.

EXECUTIVE COMMITTEE

On 15 October 2002, the Board of Directors of the Company appointed members of the Executive Committee comprising all the executive directors of the Company and delegated its powers, authorities and discretions to the Executive Committee which are not by the Bye-laws of the Company required to be exercised by the Company in General Meetings. Such powers, authorities and discretions are restricted to the management of the day-to-day businesses of the Company.

A chairman was appointed from the members of the Executive Committee and he shall preside as chairman at every Executive Committee meeting and Dr. Fan Di was elected the chairman of the Executive Committee.

The meetings and proceedings of the Executive Committee shall be governed by the provisions contained in the Bye-laws of the Company for regulating the meetings and proceedings of the Board of Directors.

The Board of Directors may, as it thinks fit, revoke the appointment of and discharge the Executive Committee either wholly or in part.

CORPORATE DISCLOSURE POLICY

We adopt a corporate policy that ensures full and timely disclosure of material information and gives shareholders an equal opportunity to access such information. The policy also ensures that the public will be notified in accordance with the law or the Listing Rules, through press announcements published in English and Chinese newspapers.

PROPOSED AMENDMENTS TO THE BYE-LAWS

The Company has proposed to its shareholders to approve, in the annual general meeting to be held on 27 August 2004, certain amendments to its Bye-laws. Most of the proposed amendments are made in accordance with the requirements under the revised Listing Rules which came into effect on 31 March, 2004.

The following sets out in summary from the proposed amendments to the Bye-laws:

1. Pursuant to the amended Appendix 3 of the Listing Rules, the minimum seven-day period for lodgment by a member of a notice to propose a person for election as a director and by such person of a notice of his willingness to be elected shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days before the date of such meeting. Accordingly, Bye-law 88 is proposed to be amended to conform to this requirement.
2. Pursuant to the amended Appendix 3 of the Listing Rules, subject to certain exceptions, a director shall abstain from voting at the board meeting on any matter in which he or any of his associates has a material interest and such director is not to be counted towards the quorum of the relevant board meeting. To reflect these requirements, Bye-law 103 is proposed to be amended and a new definition of "associate" is proposed to be inserted under Bye-law 1.
3. Pursuant to the amended Appendix 3 of the Listing Rules, where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted. Accordingly, a new Bye-law 76(2) is proposed to be inserted to conform to this requirement.
4. The Securities and Futures (Clearing Houses) Ordinance has been repealed upon the commencement of the Securities and Futures (Clearing Houses) Ordinance on 1 April 2003. The definition of "clearing house" under Bye-law 1 is proposed to be amended to delete the relevant provision of the Securities and Futures (Clearing Houses) Ordinance.
5. In order to increase the flexibility of the corporate Members of the Company in appointing more than one corporate representative, Bye-law 84 is proposed to be amended to provide that all corporations which are Members may appoint multiple corporate representatives. The proposed amendment to this Bye-law 84 is not because of the recent changes of the Listing Rules.
6. In order to increase the flexibility of the Company in appointing auditors, Bye-law 159 is proposed to be amended such that any vacancy in the office of auditor may be filled by the Directors without the need to convene a special general meeting of the Members. The proposed amendment to this Bye-law 159 is not because of the recent changes of the Listing Rules.