

Corporate Governance Report

Compliance with the Code on Corporate Governance Practices

In the opinion of the Directors, the Company has complied with the Code On Corporate Governance Practices (the “Code”), as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the year covered by this annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph A.4.1 of the Code. However, non-executive directors are subject to retirement by rotation and re-election at annual general meeting in accordance with the Company’s Bye-laws.

Model Code for Securities Transactions by Directors

Trading in the Shares of the Company has been suspended since 24th April, 2003 and the Directors are of the opinion that since the date of shares trading suspension, the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules is not applicable.

Non-executive directors

Due to the severe financial difficulties of the Group and the prolonged suspension in trading of the shares of the Company on the Stock Exchange, and all the Independent Non-Executive Directors of the Company had resigned afterwards. Up to the date of this report the Company is unable to appoint the minimum number of persons to be its Independent Non-Executive Directors. As a result, the Company is in breach of Rule 3.19 (the “INED Requirement”).

Emoluments of Directors

Details of the emoluments of the Directors are set out in Note 10 to the financial statements.

Auditors’ Remuneration

The remuneration of the auditors are determined and approved by the executive directors of the Company after negotiation with the auditors.

Audit Committee

The Company has set up its Audit Committee in June 1999 with written terms of reference in accordance with the requirements of the Stock Exchange and such committee comprises of two independent non-executive directors of the Company. The Audit Committee acts in an advisory capacity and makes recommendations to the board. Due to the severe financial difficulties of the Group and the prolonged suspension in trading of the shares of the Company on the Stock Exchange, and all the Independent Non-Executive Directors of the Company had resigned afterwards. Up to the date of this report the Company is unable to appoint the minimum number of persons to be its Independent Non-Executive Directors and Audit Committee members. As a result, the Company is in breach of Rule 3.19 (the “INED Requirement”) and Rule 3.21 (the “Audit Committee Requirement”) of the Listing Rules.

Directors’ Rights to Acquire Shares

On 14th November, 2002, the Company adopted a new share option scheme, under which it may grant options to executives and employees in the service of any member of the Group and other persons who may make a contribution to the Group to subscribe for shares in the Company. Details of the scheme are set out in Note 22 to the financial statements.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable any of the Company’s directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.