

The Group is committed to maintain a high standard of corporate governance and enhance its transparency so as to protect the shareholders' interest in general. The Group will continue to raise the standard to formalize the best practices of corporate governance as far as we could.

The Company has adopted the code provisions set out in the Code of Corporate Governance Practices (**the "Corporate Governance Code"**) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (**the "Listing Rules"**) as its own code of corporate governance practices.

BOARD OF DIRECTORS

As at 30th June 2005, the Board consisted of 5 executive directors, namely Mr. Wong Kam Fu (*Chairman*), Mr. Wong Hoi Keung (*Managing Director*), Mr. Lew Mon Hung, Mr. Song Xiao Hai and Mr. Wong Hong Loong, and 3 independent non-executive directors (**"INEDs"**) (**collectively the "Directors"**), namely Mr. Wong Che Man, Eddy, Ms. Ha Ping and Mr. Cheng Kong Ming. Save as Mr. Wong Hong Loong is the son of Mr. Wong Kam Fu, there is no financial, business, family or other material/relevant relationship between the Directors. The principal functions of the Board are to supervise the management of the business and affairs; to approve the strategic plans, investment and funding decision; to review the Group's financial performance and operative initiatives. The role of INEDs is to bring an independent and objective view to the Board's deliberations and decisions. Since one of INEDs has appropriate professional qualifications, or accounting or related financial management expertise so that they are of sufficient caliber and number for their views to carry weight, thus, the Board considers the current board size as adequate for its present operations. The Company has received from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

The Board will conduct meeting on a regular basis and on an ad hoc basis, as required by business needs. The Bye-laws of the Company allows board meetings to be conducted by way of telephone or videoconference. The Board held a total of three board meetings during the year and up to the date of this report. The attendance of the Directors at meetings of the Board and Board Committees are disclosed below in this report. The INEDs may take independent professional advice at the Company's expense in carrying out their functions.

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each regular board meeting. At least 14 days notice of a regular board meeting is given to all directors to give them the opportunity to attend. Board papers are dispatched to the directors at least 3 days before the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting.

The post of Chairman and Managing Director (**the "MD"**) are separate and are not held by the same individual to ensure their independence, accountability and responsibility. The Chairman, Mr. Wong Kam Fu, is responsible for overseeing the function of the Board and formulating overall strategies and policies of the Company. The MD, Mr. Wong Hoi Keung supported by other members and the senior management, is responsible for managing the Group's business, implementing major strategies, making day-to-day decisions and co-ordinating overall business operations. The role and responsibilities of the chief executive officer has been provided by the MD. The day-to-day running of the Company is delegated to the management, with divisional heads responsible for different aspects of the business.

The Company's Bye-laws require that one-third of the Directors, except the Chairman and the MD (or, if their number is not a multiple of three (3), the number nearest to and not less than one-third) retire by rotation each year and that each Director, except the Chairman and the Managing Director, will seek re-election at the Annual General Meeting (the "AGM") at least every three years. New Directors will hold office until the next following AGM and shall then be eligible for re-election at the meeting.

In view of the new code, the Company is taking steps to amend the Bye-laws to provide that no Director shall unless re-elected, serve for a period spanning more than three annual general meetings.

In considering the nomination of a new director, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. The Board considers that the existing human resource policy in recruitment of new senior staff is also applicable to nomination of new director. Furthermore, as the full Board is responsible for selection and approval of candidates for appointment as executive director to the board, therefore the Company has not established a Nomination Committee for the time being.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year under review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare 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 understandable assessment of the Group position and prospects.

AUDIT COMMITTEE

The Audit Committee consists of three INEDs, namely Mr. Wong Che Man, Eddy, Ms. Ha Ping and Mr. Cheng Kong Ming. Mr. Wong is the Chairman of the Audit Committee and applies his professional qualifications in accounting and financial management expertise in directing the Audit Committee. In accordance with the terms of reference of the Audit Committee, the Audit Committee met twice a year to review the interim results and the final results of the Company. The terms of reference of the Committee are aligned with the recommendations set out in "A Guide For Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code.

The major duties of the Audit Committee include:

- to consider and recommend the appointment, re-appointment and removal of external auditor;
- to approve the remuneration and terms of engagement of external auditor, any questions of resignation or dismissal of that auditor;
- to review and monitor external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to discuss with external auditor the nature and scope of the audit and reporting obligations before the audit commences;
- to develop and implement policy on the engagement of an external auditor to supply non-audit services and to make recommendation of any measures for improvements to be taken;
- to review the interim and annual financial statements and the interim and annual reports before submission to the Board, focusing particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting principles and standards; and
 - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- to review the Group's financial controls, internal control and risk management system and ensure that the management has discharged its duty to have an effective internal control system;
- to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response and to ensure that the Board will provide a timely response to the issues raised; and
- to review the Group's financial and accounting policies and practices.

REMUNERATION COMMITTEE

The Remuneration Committee comprises 3 members, namely Mr. Wong Che Man, Eddy, Ms. Ha Ping and Mr. Cheng Kong Ming, a majority of whom are independent non-executive directors and is chaired by Mr. Wong Che Man, Eddy, an independent non-executive director of the Company. It reviews and determines the policy for the remuneration of directors and senior management.

The Remuneration Committee is tasked to:

- Conduct regular review of the remuneration policy of Group's directors and senior management;
- Make recommendations to the Board on the policy structure of the Company's directors and senior management and on establishment of a formal and transparent procedure for developing remuneration policy;
- Make recommendations to the Board on remuneration packages of the Company's directors;
- Determine remuneration packages of senior management proposed by the Managing Director of the Company that will attract, motivate and retain the competent staff;
- Review the proposals for the award of share options to executive directors and senior management based on their performance and contribution to the Company from time to time;
- Recommend the Board of the structure of long-term incentive plans for executive directors and certain senior management.

During the year under review, one meeting has been held to decide the scope of task of the Committee. The members of Remuneration Committee had also reviewed and discussed the policy for remuneration of directors and the senior management.

The following table shows the attendance of Directors at meetings of the Board and the above committees during the year:

	Board	Audit Committee	Remuneration Committee	Attendance Rate
Number of Meetings	(3)	(3)	(1)	
Chairman				
Wong Kam Fu	3	N/A	N/A	100%
Executive Directors				
Wong Hoi Keung	3	N/A	N/A	100%
Song Xiao Hai	3	N/A	N/A	100%
Wong Hong Loong	3	N/A	N/A	100%
Lew Mon Hung	2	N/A	N/A	66.7%
Independent Non-Executive Directors				
Wong Che Man, Eddy	3	3	1	100%
Ha Ping	2	2	1	71.4%
Cheng Kong Ming	3	3	1	100%

EXTERNAL AUDITORS

Deloitte Touche Tohmatsu, Certified Public Accountants (“Deloitte”), had tendered their resignation as External Auditors of the Company and its subsidiaries with effect from 18th May 2005 because the Company and Deloitte could not compromise on the audit fee for the year ended 30th June 2005. Ho and Ho & Company, Certified Public Accountants (“Ho and Ho”), were appointed as External Auditors of the Company and its subsidiaries with effect from 18th May 2005 to fill the casual vacancy arising on the resignation of Deloitte and shall hold office until the conclusion of the forthcoming AGM of the Company. The annual financial statement for the year ended 30th June 2005 has been audited by Ho and Ho & Company.

The Audit Committee holds meetings with the External Auditors to discuss the scope of their audit and confirm their independence and objectivity.

The Group's External Auditors are Ho and Ho & Company for the year ended 30th June 2005 (for the year ended 30th June 2004: Deloitte). During the year, the Group has engaged the External Auditors to provide the following services and their respective fees charged are set out as below:

Type of Services	Fee charge	
	For the year ended 30th June	
	2005	2004
	HK\$'000	<i>HK\$'000</i>
Audit fee for the Group	480 *	660
Professional service fee for 70% acquisition of Ming Yuen Ltd	–	350
Other non-audit services for the Group	110	50

* Services were provided by Ho and Ho.
The remaining services were provided by Deloitte.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, is designed to help the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

The Board, through the Audit Committee, has conducted annually reviews of the effectiveness of the Group's system of internal control. The Board, through the review of the Audit Committee, is satisfied that the Group has fully complied with the Code Provisions on internal controls during the year under review as set forth in the Code; except that an internal audit function has not been set up in the internal control system of the Group.

Organizational Structure and Reporting System

An organizational structure with operating policies and procedures, lines of responsibility and delegated authority has been established. A comprehensive monthly management reporting is in place. The Division/Department Heads of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies and report directly to the Board.

Authority and Control

The relevant Executive Director and senior management are delegated with respective levels of authorities with regard to key corporate strategy and policy and contractual commitments.

Budgetary Control and Financial Reporting

A comprehensive monthly management reporting system is in place providing financial and operational performance indicators to the Executive Directors, and the relevant financial information for reporting and disclosure purpose. The Executive Directors review monthly management reports on the financial results and key operating statistics of each business.

Budgets are prepared annually by the management of individual core business and subject to review and approval by the Executive Directors as part of the Group's five-year corporate planning cycle. Budgets are forecasted on a half year basis and reviewed for differences to the budget and approval.

Cash Management System and Capital Expenditures System

The Group maintains a centralized cash management system for its subsidiaries operations. A treasury report is distributed weekly to report on the Group's cash and liquid investments, and movements thereof.

The Executive Directors have established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business with approval levels for such expenditure. Capital Expenditures are subject to approval by the Executive Directors.

INVESTOR RELATIONS

The Company continues to promote and enhance investor relations and communications with its investors. An intensive communications channel has been maintained with the media, analysis and fund managers.

COMMUNICATION WITH SHAREHOLDERS

To foster effective communications with the its shareholders, the Company provides extensive information in its annual report, press release and also disseminates information relating to the Group and its business electronically through its website at www.creditcarddna.com.

The Company regards the AGM as an important event as it provides an important opportunity for direct communications between the Board and the Company's shareholders. All directors and senior management will make an effort to attend. External auditors are also available at the AGM to address shareholders' queries. All shareholders will be given at least 21 days' notice of the AGM and they are encouraged to attend the AGM and other shareholders' meetings.

CODE OF CONDUCT

The Company has employee handbook, setting out rules and regulation of the Company and ethical conduct for all employees of the Group. The employees at all levels are expected to conduct themselves in an honest, diligent and responsible manner.

CODE OF CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, except the following, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules throughout the year:

- (i) the INED and one executive director have not been appointed for a specific term but are subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Bye-laws of the Company. However, the Company is taking steps to replace the INED's and the executive director's current appointment with specific term of appointments as soon as practicable.
- (ii) The Board only held three physical board meetings during the year and up to the date of this report. The Board will take steps to ensure that there is meeting to be held at least four times a year at approximately quarterly intervals.