

Corporate Governance Report

The Board of Directors (the “Board”) is pleased to present this Corporate Governance Report in the Group’s annual report for the year ended 31 December 2005.

Good corporate governance has always been recognized as vital to the Group’s success and to sustain development of the Group. We commit ourselves to a high standard of corporate governance as an essential component of quality and has introduced corporate governance practices appropriate to the conduct and growth of its business.

The Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) sets out the principles of good corporate governance (the “Principles”) and two levels of corporate governance practices:

- (a) code provisions (the “Code Provisions”) which listed issuers are expected to comply with or to give considered reasons for any deviation; and
- (b) recommended best practices for guidance only, which listed issuers are encouraged to comply with or give considered reasons for deviation.

During the year ended 31 December 2005 under review, the Company has applied the Principles and the Code Provisions as set out in the Code and complied with most of the Code Provisions save for certain deviations from the Code Provisions in respect of Code Provisions A.1.1, A.4.1 and E.1.1, details of which will be explained below.

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the Code, and acknowledges the important role of its Board in providing effective leadership and direction to Company’s business, and ensuring transparency and accountability of Company’s operations.

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The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

Responsibilities

The Board provides leadership, approves policies, strategies and plans, and oversees their implementation to ensure the healthy growth of the Company, in the interests of Company's shareholders.

The Board takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the company secretary, with a view to ensuring that the Board procedures and all applicable rules and regulations are followed. In general, each director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the General Manager/Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board has the full support of the General Manager/Chief Executive Officer and the senior management to discharge its responsibilities.

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises thirteen members, consisting of nine executive directors and four independent non-executive directors.

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The Board of the Company comprises the following directors:

Executive directors:

Che Shujian (*Chairman*)

Zhang Xuewu (*Vice Chairman*)

Shen Zhuying (*Vice Chairman, General Manager*)

Zheng Heshui (*Vice Chairman*)

Lo Sui On (*Vice Chairman*)

Zheng Hongqing

Zhang Fengchun

Ng Chi Man, Michael (*Deputy General Manager*)

Liu Li (*Deputy General Manager*)

Independent non-executive directors:

Yeh Meou Tsen, Geoffrey (*member of Audit Committee and Remuneration Committee*)

Yeh V Nee

(*Alternate director to Yeh Meou Tsen, Geoffrey*)

Fong Yun Wah

Wong Man Kong, Peter (*chairman of Audit Committee and Remuneration Committee*)

Sze, Robert Tsai To (*member of Audit Committee and Remuneration Committee*)

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The relationships among the members of the Board are disclosed under "Biographies of Directors and Senior Management" on page 8 to 15.

During the year ended 31 December 2005, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make various contributions to the effective direction of the Company.

Appointment and Succession Planning of Directors

The Company has established formal, considered and transparent procedures for the appointment and succession planning of directors.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

With respect to Code Provision A.4.1, the non-executive directors of the Company have not been appointed for any specific terms since they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Memorandum and Articles of Association of the Company.

To enable the Company's Articles of Association (the "Articles") to be in line with Code Provisions A.4.1 and A.4.2, a special resolution will be proposed at the next forthcoming annual general meeting of the Company to amend the Articles so that all directors will be subject to retirement by rotation once every three years.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

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The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

One new independent non-executive director, Mr. Sze, Robert Tsai To, was appointed in 2005. His appointment was approved by the Executive Board meeting held on 29 December 2004. All executive directors except Mr. Chen Shoujie, Mr. Zheng Hongqing, Mr. Zhang Fengchun and Mr. Liu Li attended the meeting.

In accordance with the Company's Articles of Association, Mr Zhang Xuewu, Mr Zhang Fengchun, Mr Ng Chi Man, Michael and Dr. Yeh Meou Tsen, Geoffrey shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Board recommended the re-appointment of the directors standing for re-election at the forthcoming annual general meeting of the Company.

The Company's circular dated 13 April 2006 contains detailed information of the directors standing for re-election.

Training for Directors

Each newly appointed director receives comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary.

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Board Meetings

Number of Meetings and Directors' Attendance

Code Provision A.1.1 stipulates that regular Board meetings should be held at least four times a year at approximately quarterly intervals.

During the year ended 31 December 2005, the Board met twice for approving the final results for the year ended 31 December 2004 and interim results for the period ended 30 June 2005. The attendance rate at each meeting was 78.57% and 71.43% respectively.

The reasons for the Company to hold only two regular Board meetings are that the business operations were under the management and supervision of the executive directors of the Company, who had from time to time held meetings to resolve all material business or management issues. Transactions with material impact on the financial position of the Company were also reviewed by the independent non-executive directors of the Company. As a result, two regular Board meetings were held in 2005.

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The individual attendance record of each director at the meetings of the Board and the Audit Committee during the year ended 31 December 2005 is set out below:

Name of Directors	Attendance/Number of Meetings	
	Board	Audit Committee
Che Shujian	2/2	N/A
Zhang Xuewu	1/2	N/A
Shen Zhuying	2/2	N/A
Zheng Heshui	1/2	N/A
Lo Sui On	2/2	N/A
Zheng Hongqing	2/2	N/A
Zhang Fengchun	1/2	N/A
Ng Chi Man, Michael	2/2	N/A
Liu Li	0/2	N/A
Yeh Meou Tsen, Geoffrey	2/2	N/A
Yeh V Nee *	N/A	2/2
Fong Yun Wah	2/2	N/A
Wong Man Kong, Peter	1/2	2/2
Sze, Robert Tsai To	2/2	2/2
Chen Shoujie **	1/2	N/A

* Mr Yeh V Nee is an alternate director to Dr. Yeh Meou Tsen, Geoffrey.

** Mr Chen Shoujie, an executive director, retired as director of the Company with effective from 25 October 2005. During the period from 1 January 2005 to 25 October 2005, two meetings of the Board were held.

N/A: Not applicable

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Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors as soon as practicable before each Board meeting or committee meeting to allow the directors to read the papers and information, to keep them abreast of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The company secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and the General Manager/Chief Executive Officer to ensure a balance of power and authority.

The positions of the Chairman and General Manager/Chief Executive Officer are held by Mr Che Shujian and Mr Shen Zhuying respectively. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

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The General Manager/Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. He is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval.

BOARD COMMITTEES

The Board has established two committees, namely, the Audit Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the website of <http://www.irasia.com> and are available to shareholders upon request.

All the members of each Board committee are independent non-executive directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Remuneration Committee

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the directors and the senior management.

The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. The human resources department is responsible for collecting and administrating of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman and/or the General Manager/Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

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No Remuneration Committee meeting has been held in 2005 as the Board discussed the remuneration related matters briefly in the Board meetings on 11 April 2005. All directors except Mr. Zheng Heshui, Mr. Liu Li and Mr. Wong Man Kong, Peter attended that meeting. The first Remuneration Committee Meeting of the Company is scheduled to be held in June 2006.

Audit Committee

The Audit Committee comprises three independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

- (a) To monitor integrity of the interim and annual financial reports as well as to review significant financial reporting judgments before submission to the Board and to report the same to the Board.
- (b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.
- (c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held two meetings during the year ended 31 December 2005 to review the financial results and reports, the financial reporting and compliance procedures, the report of internal audit department on the Company's internal control and risk management review and the processes and the re-appointment of the external auditors.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The Audit Committee has not taken a different view from the Board regarding the selection, appointment, resignation or dismissal of external auditors.

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The Company's annual results for the year ended 31 December 2005 has been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

Since 11 April 2004, the Company has adopted its own code of conduct regarding directors' securities transactions (the "Code of Conduct") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the requirements of the Code of Conduct and the Model Code throughout the year ended 31 December 2005.

The Company has also established written guidelines on terms no less exacting than the Model Code (the "Written Guidelines") for securities transactions by the employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Written Guidelines by the employees was noted by the Company.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITORS' REMUNERATION

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2005.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Report of the Auditors" on page 52 to 53.

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Save as disclosed in note 6 to the financial statements for fees payable to the Company's external auditors for audit services provided for the year ended 31 December 2005, other significant non-audit service assignments for the year include:

	HK\$
1. Review of interim results, implementation of new accounting standards and issuance of SAS 700 report	1,580,000
2. Financial review on potential investment	500,000
	<hr/> 2,080,000 <hr/>

INTERNAL CONTROLS

Though Code Provision C.2.1 and disclosure requirement under the Listing Rules in relation to internal controls are only effective for the accounting period commenced on or after 1 July 2005, the Board would like to disclose the following details of the internal control of the Company:–

The Company has maintained a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibility and authority to the senior management.

The internal audit department, which is independent of the Company's daily operations and accounting functions, is responsible for establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls. The internal control framework also provides for identification and management of risk.

The internal audit department also formulates the annual internal audit plan and procedures, conducts periodic independent reviews on the operations of individual divisions to identify any irregularities and risks, develops action plans and recommendations to address the identified risks, and reports to the Audit Committee on any key findings and progress of the internal audit process. The Audit Committee, in turn, reports to the Board on any material issues and makes recommendations to the Board.

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SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Articles. Details of such rights to demand a poll and the poll procedures are included in all circulars to shareholders and will be explained during the proceedings of meetings.

Poll results will be published in newspapers on the business day following the shareholders' meeting and posted on the website of the Stock Exchange.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the Audit Committee and Remuneration Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

During the year ended 31 December 2005, with respect to Code Provision E.1.1, each retiring director was not re-elected by a separate resolution. China Travel Service (Holdings) Hong Kong Limited, which was interested in more than 50% interest of the issued share capital of the Company at the relevant time, had indicated to the Company before the annual general meeting held on 25 May 2005 that it would vote in favour of all those resolutions for such re-election. As there would be sufficient votes for the passing of all such resolutions, a single resolution was proposed at that annual general meeting to approve the re-election of all the retiring directors. However, in order to comply strictly with Code Provision E.1.1, directors shall be elected by means of a separate resolution at the forthcoming annual general meeting.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

Currently, the investors can access the Company's information through the websites of the Stock Exchange and <http://www.irasia.com>. To promote effective communication, the Company proposes to establish a website where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information will be posted.