

## Audit Committee

Based on the terms of reference of the Audit Committee, members of the committee shall, among other things, oversee the Group's relationship with its external auditors, review the preliminary results, interim results and annual financial statements, monitor the compliance with statutory requirements and Listing Rules, review the scope, extent and effectiveness of the Group's internal audit functions, and, where necessary, commission independent investigations by legal advisers or other professionals.

During the financial year 2006, the committee held two meetings, both with 100% attendance, to review the financial statements of the Group for the six months ended 31 December 2005. The issues which were reviewed and discussed in respect of the financial statements of the Group for the year ended 30 June 2006 and the significant events of the Group during the period are as follows:

### Financial Reports

The Audit Committee met with the Chief Financial Officer and other senior management of the Group to consider its interim report, annual report, and interim and annual results announcements. The committee reviewed and considered the report and statement of the management to ensure that the consolidated financial statements of the Group have been prepared in accordance with the accounting principles generally accepted in Hong Kong. The committee also met with the external auditors of the Group, PricewaterhouseCoopers, to consider the scope and results of their independent audit in respect of the interim report and consolidated financial statements.

Meanwhile, the committee highlighted the importance of disclosure of the continuing connected transactions of the Group.

### Review of Internal Control and Risk Management Systems

The committee assisted the Board to perform its duties to maintain an effective internal control system for the Group. The committee reviewed the Group's procedure and workflow for environmental and risk assessment and its initiatives for business risks management and control.

### Relationship with External Auditors

The committee reviewed and considered the terms of appointment of the external auditors, including the evaluation of their independence and objectivity. Factors that were taken into account included the rotation of their engagement audit partner and their provision of non-audit services. The Audit Committee has already made the recommendation to the Board for reappointing PricewaterhouseCoopers as the external auditors of the Group for the financial year 2007.

The Audit Committee will consider additional measures to strengthen the interactive relationship between the committee members and the external auditors at each stage during the audit cycle, including the appointment, audit planning and throughout the audit cycle. Besides, more effort will be made to review and consider the audit results and maintain appropriate communications with the external auditors.