

Corporate Governance Report

THE BOARD OF DIRECTORS

Composition of the Board

During the financial year ending 31 December 2006 and up to the date of this Report, the board of directors of the Company (the "Board") were:

Executive Directors: Zhang Shuyang, *Chairman*
Tung Chi Wai, Terrence
Kazunori Watanabe

Independent Non-Executive Directors: Ede Hao Xi, Ronald
Ts'o Shun, Roy
Li Yueh Chen

Chairman

The Chairman of the Company is Mr. Zhang Shuyang, who, in his capacity of Chairman of the Board, provides leadership to the Board, and ensures that the Board is properly briefed on issues arising at board meetings and receives timely, accurate and complete information for the Board's consideration.

Independent Non-Executive Directors

More than one third of the Board comprises independent non-executive directors. The Company has received confirmation from each independent non-executive director of his continuing independence under the Listing Rules, and the Board considers each of them to be independent. None of the Directors is related to each other. Mr. Ede Hao Xi, Ronald possesses accounting and related financial management expertise.

Each of the independent non-executive directors has entered into a service contract with the Company for a term of two years, subject to re-election by shareholders at the annual general meeting of the Company at least once every three years by rotation. No Director has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The Role of the Board

The Board is primarily responsible for the leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the affairs of the Group.

The Board meets regularly, and all members of the Board are given complete, timely and reliable information in relation to the affairs of the Group, and receive the support from and access to the Company Secretary in respect of all meetings of the Board. Each Director is afforded access, on his request, to senior management of the Group and to independent legal advice. All Directors receive briefings and professional development training as necessary to ensure a proper understanding of the business of the Group and their responsibilities under statute and at common law.

During the year, six Board meetings were held and the individual attendance of each Director is set out below:

Category of Director	Name of Director	Number of Board meetings attended	Attendance Rate
Executive Directors	Zhang Shuyang	5/6	83%
	Tung Chi Wai, Terrence	6/6	100%
	Kazunori Watanabe	6/6	100%
Independent Non-Executive Directors	Ede Hao Xi, Ronald	6/6	100%
	Ts'o Shun, Roy	5/6	83%
	Li Yueh Chen	6/6	100%
Average attendance rate			94.33%

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No casual vacancies on the Board occurred during 2006 or to the date of this report.

The Group confirms that it has complied with all material provisions of the Corporate Governance Code, save that:

1. The Board formally appointed Mr. Zhang Shuyang as Chief Executive Officer of the Company on 25 April 2007. Thus, the roles of Chairman of the Company and Chief Executive Officer of the Group are performed by the same individual, namely Mr. Zhang Shuyang. The Board considers that the Group significantly benefits from Mr. Zhang Shuyang also being ultimately responsible for the day-to-day operation of the Group as this facilitates both the Board and management benefiting from his leadership support and experience, and from the consistent, efficient and effective planning and implementation of the Group's long-term strategies and policies.
2. The Board formally adopted written procedures on 25 April 2007 to govern the delegation of daily management responsibilities to the senior management of the Group and the reservation to the Board of specifically identified matters. This supplemented and enhanced the prior practice of the Board of delegating signing authority on a case-by-case basis for each significant agreement entered into by the Group.
3. The Board formally adopted written terms of reference on 25 April 2007 to govern the authority and duties of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. This supplemented and enhanced the prior practice of these Committees of acting in accordance with the corresponding duties set out in the Corporate Governance Code.
4. The Board has adopted a practice of acting in accordance with the requirements of the Model Code. The Board has not formally adopted a code of conduct in this regard, but will consider the formal adoption of such a code of conduct at its next scheduled Board meeting.

COMMITTEES OF THE BOARD

Audit Committee

The Audit Committee was established on 22 June 2004, and on 25 April 2007 the Board adopted written terms of reference setting out the authority and duties of the Audit Committee, now published on its website, www.mitsumaru-ek.com. The role of the Audit Committee is to make recommendations to the Board on the appointment and removal of auditors, review the Group's financial statements, and review the Group's financial controls, internal controls, and risk management system.

The Audit Committee is comprised of three members, all of whom are independent non-executive directors. The Audit Committee is chaired by Ede Hao Xi, Ronald, who possesses accounting and related financial management expertise. The members of the Audit Committee are Ts'o Shun, Roy and Li Yueh Chen.

During 2006, the Audit Committee considered the audited consolidated financial statements of the Group for the year ended 31 December 2005 and the interim report for the six months ended 30 June 2006. The Audit Committee also considered proposals made by the Company's auditor Ernst & Young, arising out of its audit of the Group for the 2006 financial year. The Audit Committee has also reviewed the annual results of the Group for the year ended 31 December 2006.

The Audit Committee held two meetings during 2006, and the table below sets out the attendance record of each member:

Category of Director	Name of Directors	Number of Audit Committee Meetings attended	Attendance rate
Independent Non-Executive Directors	Ede Hao Xi, Ronald	2/2	100%
	Ts'o Shun, Roy	2/2	100%
	Li Yueh Chen	1/2	50%
Average attendance rate			83.3%

The Remuneration Committee

The Remuneration Committee was established on 12 December 2005, and on 25 April 2007 the Board adopted written terms of reference setting out the authority and duties of the Remuneration Committee, now published on its website, www.mitsumaru-ek.com. The role of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management, and on the establishment of a formal and transparent procedure for developing policy

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on such remuneration. The Remuneration Committee also reviews and approves the compensation arrangements relating to dismissal or removal of Directors to ensure that such arrangements are in accordance with the relevant contractual terms or are otherwise reasonable and appropriate.

The Remuneration Committee is comprised of four members, and is chaired by Ts'o Shun, Roy (independent non-executive director). The other members of the Remuneration Committee are Ede Hao Xi, Ronald and Li Yueh Chen (both independent non-executive directors) and Tung Chi Wai, Terrence (executive director). Accordingly, the Remuneration Committee comprises a majority of independent non-executive directors.

The Remuneration Committee held one meeting during 2006 during which the Remuneration Committee approved the executive directors' remuneration in accordance with the provisions of the corresponding service contract. The table below sets out the attendance record of each member:

Category of Director	Name of Directors	Number of Remuneration Committee Meetings	
		attended	Attendance Rate
Independent Non-Executive Directors	Ts'o Shun, Roy	1/1	100%
	Ede Hao Xi, Ronald	1/1	100%
	Li Yueh Chen	0/1	0%
Executive Director	Tung Chi Wai, Terrence	1/1	100%
Average attendance rate			75%

Nomination Committee

The Nomination Committee was established on 12 December 2005, and on 25 April 2007 the Board adopted written terms of reference setting out the authority and duties of the Nomination Committee, now published on its website, www.mitsumaru-ek.com. The role of the Nomination Committee is to review the composition of the Board, select, identify and recommend to the Board suitable candidates to be Directors of the Company, and assess the independence of independent non-executive directors.

The Nomination Committee is comprised of four members, and is chaired by Li Yueh Chen (independent non-executive director). The other members of the Nomination Committee are Ede Hao Xi, Ronald and Ts'o Shun, Roy (both independent non-executive directors) and Zhang Shuyang (executive director). Accordingly, the Nomination Committee comprises a majority of independent non-executive directors.

The Nomination Committee held one meeting during 2006 during which the Nomination Committee reviewed the qualifications and the performance of the current Directors and the composition of the Board. The table below sets out the attendance record of each member:

Category of Director	Name of Directors	Number of Nomination Committee Meetings	
		attended	Attendance Rate
Independent Non-Executive Directors	Li Yueh Chen	0/1	0%
	Ede Hao Xi, Ronald	1/1	100%
	Ts'o Shun, Roy	1/1	100%
Executive Director	Zhang Shuyang	1/1	100%
Average attendance rate			75%

INTERNAL CONTROL REVIEW

The Board is committed to ensuring that the Group maintains sound and effective internal controls to safeguard shareholders' investment and the Group's assets. Accordingly, the Board has conducted a review of the effectiveness of the internal control system of the Group, which has addressed all material controls (including financial, operational and compliance controls) and risk management functions.

AUDITORS REMUNERATION

The auditors of the Group are Ernst & Young, and in 2006, the fees paid to Ernst & Young in respect of its audit services were HK\$1,450,000. Ernst & Young did not provide any non-audit services to the Group.

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DIRECTORS' SECURITIES TRANSACTIONS

The Company has not formally adopted the Model Code for securities transactions by directors of the Company, but the Board has adopted the practice of acting in accordance with the requirements of the Model Code. All members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standards of the Model Code throughout the year ended 31 December 2006. The Board will consider the formal adoption of a code of conduct on terms no less exacting than the required standards of the Model Code at its next scheduled Board meeting.

FINANCIAL REPORTING

The Board acknowledges its responsibility for the preparation of the financial statements and accounts set out in this Annual Report. The accounts have been prepared on a going concern basis. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the auditors of the Company regarding their reporting responsibilities is set out in the Independent Auditors' Report on page 27 to 28.

On Behalf of the Board

Zhang Shuyang

Chairman

Hong Kong

25 April 2007