

Corporate Governance Report

INTRODUCTION

The Company is committed to maintaining and upholding good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency and are adopted in the best interests of the Company and its shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all code provisions under the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) up to the date of this annual report, save and except the only deviation of the Company from the Code that it deviates from code provision A.2.1 of the Code, namely, the roles of the chairman and chief executive officer have not been separated. Although Ms. Poon Wai performs both the roles of chairman and chief executive officer, the division of responsibilities between the chairman and chief executive officer are clearly established and set out in writing. In general, the chairman is responsible for supervising the functions and performance of the Board, while the chief executive officer is responsible for the management of the business of the Group. The two roles will be performed by Ms. Poon distinctly. The Board believes that at the current stage of development of the Group, vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. It also considers that the current structure does not impair the balance of power and authority between the Board and the management of the Company. However, it is the long-term objective of the Company to have these two roles performed by separate individuals when suitable candidates are identified.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard (the “Required Standard”) the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry to all Directors, and all Directors have confirmed that, throughout the year under review, they were in compliance with the Required Standard.

THE BOARD OF DIRECTORS

The Board is the core of the corporate governance structure of the Company. It is responsible for giving guidance to and exercising effect checks on the management.

The Board is fully aware of its prime responsibilities to the Company and its duties to protect and enhance long-term shareholders’ value. To provide effective supervision and proper guidance to the management, the Board is required to consider and approve decisions in relation to the Company’s long-term strategy, annual business plan and financial budget, major acquisition and disposal, dividend policy, appointment of Directors, remuneration policy, risk management and internal control.

The Board delegates on specific terms for the management to carry out defined strategies and report to the Board in respect of day to day operation. For such purposes, the Board has laid down clear terms of reference which specify those circumstances under which the management shall report to the Board and those decisions and commitments for which prior approval of the Board is required.

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The Board currently consists of 8 directors, including three executive Directors, namely, Ms. Poon Wai, Mr. Yin Yibing and Mr. Poon Ka Man, Jason, two non-executive Directors, namely, Mr. Katsuaki Shigemitsu and Wong Hin Sun, Eugene and three independent non-executive Directors, namely, Mr. Jen Shek Voon, Mr. Lo Peter and Mr. Yan Yu. All Directors have appropriate professional qualification or substantive experience. Their biographies are set out under the section “Directors and Senior Management” of this Annual Report.

The composition of the Board of the Company is in accordance with the requirement of Rule 3.10 of the Listing Rules. There are three independent non-executive Directors and one of them has accounting professional qualification. More than one-third of the members of the Board are independent non-executive Directors, which exceeds the minimum requirement of the Listing Rules. The Company has received confirmation from each of the independent non-executive Directors about his independence in accordance with Rule 3.13 of the Listing Rules and therefore considers each of them to be independent.

All of the Directors of the Company are appointed for a specific term and the non-executive Directors were appointed for a term of two years. In accordance with the Company’s articles of association and, at each annual general meeting of the Company, one-third of the Directors for the time being will retire from office by rotation but will be eligible for re-election. The Company’s circular dated 30 April 2007 contains detailed information of the Directors standing for re-election.

Ms. Poon Wai, the Chairman, Chief Executive Officer and executive Director of the Company, is the sister of Mr. Poon Ka Man, Jason, who is an executive Director of the Company. Save as disclosed, there is no other relationship among members of the Board.

BOARD MEETINGS

The Board met regularly in person or by means of electronic communication. The Board is going to meet at least four times a year following the Listing, as well as on an ad hoc basis. All board meeting notices, schedules and the relevant information of each meeting are generally made available to Directors in advance. The Board and each Director also have separate and independent access to the management whenever necessary.

The company secretary of the Company 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.

The total numbering of meeting(s) convened since the Listing up to the date of this report is one and the meeting attendance is as follows:

Name of Directors	Board Meeting
Ms. Poon Wai	1/1
Mr. Yin Yibing	1/1
Mr. Poon Ka Man, Jason	1/1
Mr. Katsuaki Shigemitsu (represented by Ms. Karasawa Noriko)	1/1
Mr. Wong Hin Sun, Eugene	1/1
Mr. Jen Shek Voon	1/1
Mr. Lo Peter	1/1
Mr. Yan Yu	1/1

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BOARD COMMITTEES

The Board has established three committees, namely, the Remuneration Committee, the Audit Committee and the Nomination Committee for overseeing particular aspects of the Company's affair. The committees of the Company are established with written terms of reference.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 8 March 2007 in compliance with Appendix 14 to the Listing Rules. Details of the authorities and duties of the Committee are set out in its terms of reference. The Remuneration Committee has been established mainly for the purpose of ensuring that the Company can recruit, retain and motivate high-calibre staff in order to reinforce the success of the Company and create value for our shareholders. The terms of reference of the Remuneration Committee are summarized as follows:

- (i) to make recommendations to the Board on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (ii) to have delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, and make recommendations to the Board of the remuneration of non-executive Directors;
- (iii) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (iv) to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment;
- (v) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct; and
- (vi) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Currently, the Remuneration Committee comprises three non-executive Directors as follows:

Mr. Lo Peter, independent non-executive Director (*Chairman*)
Mr. Jen Shek Voon, independent non-executive Director
Mr. Wong Hin Sun, Eugene, non-executive Director

Since Ajisen (China) was only listed on the Stock Exchange on 30 March 2007, there was no committee meeting held during the year ended 31 December 2006. The first Remuneration Committee meeting will be held within the first year after the Listing.

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NOMINATION COMMITTEE

The Nomination Committee was set up on 8 March 2007. Details of the authorities and duties of the Committee are set out in its terms of reference. Its roles are highlighted as follows:

- (i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- (ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board regarding any proposed changes;
- (iii) to assess the independence of independent non-executive Directors; and
- (iv) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the chief executive officer.

Currently, the Nomination Committee comprises three non-executive Directors as follows:

Mr. Wong Hin Sun, Eugene, non-executive Director (*Chairman*)

Mr. Lo Peter, independent non-executive Director

Mr. Yan Yu, independent non-executive Director

Since Ajisen (China) was only listed on the Stock Exchange on 30 March 2007, there was no committee meeting held during the year ended 31 December 2006. The first Nomination Committee meeting will be held within the first year after the Listing.

AUDIT COMMITTEE

The Audit Committee was set up on 8 March 2007 with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. The principal duties of the Audit Committee include:

- (i) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of external auditor, and to approve the remuneration and terms of engagement of the external auditor;
- (ii) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
- (iii) to discuss with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations;
- (iv) to develop and implement policy on the engagement of an external auditor to supply non-audit services;
- (v) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, and to review significant financial reporting judgments contained in them before submission to the Board;
- (vi) to review the Company's financial controls, internal control and risk management systems;

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- (vii) to discuss with the management the system of internal control and ensure that the management has discharged its duty to have an effective internal control system;
- (viii) to review the Group's financial and accounting policies and practices; and
- (xi) to report to the Board on the matters set out in the Code.

Currently, the Audit Committee comprises three independent non-executive Directors and one non-executive Director as follows:

Mr. Jen Shek Voon, independent non-executive Director (*Chairman*)
 Mr. Lo Peter, independent non-executive Director
 Mr. Yan Yu, independent non-executive Director
 Mr. Wong Hin Sun, Eugene, non-executive Director

Since Ajisen (China) was only listed on the Stock Exchange on 30 March 2007, there was no committee meeting held during the year ended 31 December 2006. The total numbering of meeting(s) convened since the Listing up to the date of this report is one and the meeting attendance is as follows:

Name of members	Audit Committee Meeting
Mr. Jen Shek Voon	1/1
Mr. Lo Peter	1/1
Mr. Yan Yu	1/1
Mr. Wong Hin Sun, Eugene	1/1

The Audit Committee is satisfied with their review of the auditor's remuneration, the independence of the Auditor Deloitte Touche Tohmatsu and recommended the re-appointment of the Auditors in 2007 at the forthcoming Annual General Meeting.

The Company's annual results for the year ended 31 December 2006 have been reviewed by the Audit Committee which opines that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

INTERNAL CONTROL

The Board strives to cultivate and disseminate a good internal control and risk management culture of the Company and its subsidiaries by:

- assessing relevant risks, considering and giving approval to necessary control activities proposed by executive Directors to rationalize the control environment so as to lower operational risks but without impeding operating efficiency;
- ensuring coordinated sharing of information;

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- exercising appropriate levels of supervision to ensure the effectiveness and efficiency in the performance of various functions of the Group;
- establishing and reviewing internal control measures for minimising and eliminating risks; and
- seeking input from external consultants for the enhancement and maintenance of the Group's internal control system.

The executive Directors, in coordination with the senior management of the Group develop, implement and maintain an internal control and risk management system by conducting on-going business reviews, evaluation of the significant risks faced by the Company, formulation of appropriate policies, programmes and authorization criteria, conducting business variance analyses of actual result versus business plan, undertaking critical path analyses to identify the impediments in attaining the corporate goals and initiating corrective measures, and following up on isolated cases and identifying inherent deficiencies in the internal control system and making timely remedies and adjustments to avoid recurrence of problems.

The executive Directors from time to time report to the Audit Committee and the Board on the critical control measures for evaluation of corporate goals, finances, operation, and check and balances.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understands and acknowledges its responsibility for making sure that the financial statements for each financial year are prepared to reflect the true and fair view of the state of affairs, profitability and cash flow of the Group in accordance with the disclosure requirements of the Hong Kong Companies Ordinance. In preparing the financial statements of the Group for the year ended 31 December 2006, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The Auditor's statement about their reporting responsibilities on the Financial Statements is set out on page 34 and page 35 of this Annual Report.

AUDITOR'S REMUNERATION

The Auditor of the Company received approximately HK\$2.3 million for audit service for the year 2006. It also acts as the reporting accountant for the Company's listing for a fee of HK\$8.7 million.

LOOKING FORWARD

The Company will timely review its corporate governance practices and the Board endeavors to implement necessary measures and policies to ensure the compliance with the Code introduced by the Stock Exchange.