

10 Corporate Governance Report

The Board of Directors ("Board") is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 30 June 2006.

The Company recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs.

In November 2004, The Stock Exchange of Hong Kong Limited ("Stock Exchange") issued the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") which sets out, amongst other things, corporate governance principles ("Principles") and code provisions ("Code Provisions") with which listed issuers are expected to follow and comply.

The Company has applied the Principles as set out in the CG 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.2.1, A.4.1 and A.4.5, 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 CG Code.

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

THE BOARD

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All directors should take decisions objectively in the interests of the Company.

The Board reserves for its decisions all major matters of the Company, including: the approval and monitoring of overall objectives and strategies, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), 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 Board procedures and all applicable rules and regulations are followed.

Each director is normally 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 Chief Executive Officer and the executives. 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 Chief Executive Officer and the executives to discharge its responsibilities.

Composition

The composition of the Board ensures a balance of skills and experience appropriate for the requirements of the business of the Company and for the exercise of independent judgement.

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The Board currently comprises eight members, consisting of five executive directors and three independent non-executive directors.

The Board of the Company comprises the following directors:

Executive directors:

Yang Long-san, Rowell (*Chairman and Chief Executive Officer*)

Wang Ming-chun, Morris (*Deputy Chairman*)

Chang Su-pong, Steve

Lee Yi, Richard

Hui Siu-ling, Elina

Independent non-executive directors:

Lau Siu-ki, Kevin

Lee Chiu-kang, Alex

Liu Zixian

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.

None of the members of the Board is related to one another.

During the year ended 30 June 2006, 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.

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, Re-election and Removal of Directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Bye-laws. The Board as a whole is responsible for reviewing the Board composition, monitoring the appointment of directors and assessing the independence of independent non-executive directors.

In accordance with the Company's Bye-laws which were amended by a special resolution at the annual general meeting held on 25 November 2005 for the purpose of compliance with the CG Code, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

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Deviations from Code Provision A.4.1 (& reasons):

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

Although some directors are not appointed for a specific term, all directors of the Company are subject to retirement by rotation once every three years and any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment pursuant to the Company's Bye-laws.

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

In accordance with the Company's Bye-laws, Mr Lee Yi, Richard, having been appointed as an executive director of the Company during the year, shall retire and being eligible, offer himself for re-election at the 2006 annual general meeting. In addition, Mr Yang Long-san, Rowell, Mr Chang Su-pong, Steve and Ms Hui Siu-ling, Elina shall retire by rotation and being eligible, offer themselves for re-election at the 2006 annual general meeting.

The Board recommended the re-appointment of the directors standing for re-election at the 2006 annual general meeting of the Company.

The Company's circular dated 31 October 2006 contains detailed information of the directors standing for re-election.

Induction and Continuing Development for Directors

Each newly appointed director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her 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.

The directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities.

Board and Board Committees Meetings

Deviation from Code Provision A.1.1 (& reason):

Code Provision A.1.1 stipulates that the Company should hold at least four regular Board meetings a year at approximately quarterly intervals with active participation of a majority of directors, either in person or through other electronic means of communication.

Regular Board meetings were held twice during the year for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. As the Company did not announce its quarterly results hence did not hold quarterly meetings.

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Number of Meetings and Directors' Attendance

The Board met two times during the year ended 30 June 2006 for approving the final results for the year ended 30 June 2005 and interim results for the period ended 31 December 2005. The attendance rate at each meeting was 63% and 75% respectively.

The individual attendance record of each director at the meetings of the Board during the year ended 30 June 2006 is set out below:

Name of Directors	Attendance/Number of Meetings
Yang Long-san, Rowell	20/25
Wang Ming-chun, Morris	17/25
Chang Su-pong, Steve	10/25
Lee Yi, Richard (<i>Note 1</i>)	4/25
Wong Kui-ming, Luffer (<i>Note 2</i>)	18/25
Hui Siu-ling, Elina	21/25
Lau Siu-ki, Kevin (<i>Note 3</i>)	4/25
Lee Chiu-kang, Alex	8/25
Liu Zixian	6/25
Chan Mo-po, Paul (<i>Note 4</i>)	1/25

Notes:

1. Mr Lee Yi, Richard was appointed on 19 May 2006.
2. Mr Wong Kui-ming, Luffer resigned on 19 May 2006.
3. Mr Lau Siu-ki, Kevin was appointed on 1 September 2005.
4. Mr Chan Mo-po, Paul resigned on 1 September 2005.

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 at least 3 days before each Board meeting or committee meeting to keep the directors apprised 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 Chief Executive Officer, Chief Financial Officer and Company Secretary attend all regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

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 duly executed minutes are open for directors' inspection.

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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 Company's Bye-laws also contain provisions requiring directors to declare his/her interests, and 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

Deviation from Code Provision A.2.1 (& reasons):

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr Yang Long-san, Rowell currently holds the offices of Chairman and Chief Executive Officer of the Company. The Board believes that 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.

The Board considers that although the current structure of vesting the roles of Chairman and Chief Executive Officer is in the same person, power and authority are shared with the Deputy Chairman and all major decisions are made in consultation with members of the Board as well as the top management of the Company.

BOARD COMMITTEES

The Board has established two committees, namely, the Remuneration Committee and the Audit 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 would be posted on the Company's website and are available to shareholders upon request.

The majority of 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 below:

Remuneration Committee

Lee Chiu-kang, Alex (*Chairman*)
Lau Siu-ki, Kevin
Wang Ming-chun, Morris

Audit Committee

Lau Siu-ki, Kevin (*Chairman*)
Lee Chiu-kang, Alex
Liu Zixian

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 executive 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/her associates will participate in deciding his/her 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.

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The Remuneration Committee normally meets at least once a year for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive directors and the senior management and other related matters. The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee shall consult the Chairman of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee met once during the year ended 30 June 2006 and reviewed the remuneration policy and structure of the Company and remuneration packages of the executive directors and the senior management for the year under review.

The Remuneration Committee held one meeting during the year ended 30 June 2006 and the attendance records are set out below:

Name of Directors	Attendance/Number of Meetings
Lee Chiu-kang, Alex	1/1
Lau Siu-ki, Kevin	1/1
Wang Ming-chun, Morris (<i>Note 1</i>)	0/1
Wong Kui-ming, Luffer (<i>Note 2</i>)	1/1

Notes:

1. Mr Wang Ming-chun, Morris was appointed on 19 May 2006.
2. Mr Wong Kui-ming, Luffer resigned on 19 May 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 review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, Chief Financial Officer or external auditors before submission 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 three meetings during the year ended 30 June 2006 to review the financial results and reports, financial reporting and compliance procedures, report of external auditors on the Company's internal control and the re-appointment of the external auditors.

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The attendance records of the Audit Committee are set out below:

Name of Directors	Attendance/Number of Meetings
Lau Siu-ki, Kevin (<i>Note 1</i>)	2/3
Lee Chiu-kang, Alex	3/3
Liu Zixian	1/3
Chan Mo-po, Paul (<i>Note 2</i>)	1/3

Notes:

1. Mr Lau Siu-ki, Kevin was appointed on 1 September 2005.
2. Mr Chan Mo-po, Paul resigned on 1 September 2005.

The Company's annual results for the year ended 30 June 2006 has been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 Model Code throughout the year ended 30 June 2006.

Deviation from Code Provision A.5.4 (& reasons):

Code Provision A.5.4 stipulates that the Board should establish written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company in respect of their dealings in the securities of the Company.

The Company has not established Employees Written Guidelines for securities transactions by employees. The Board considered that as all price-sensitive information of the Company are in the hands of executive directors, other employees are unlikely to possess unpublished price-sensitive information in relation to the Company or its securities. However, to promote higher standard of corporate governance, the Company is now drafting the Employees Code of Conduct (the "Code of Conduct") and shall adopt and implement the Code of Conduct in the coming year.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 30 June 2006.

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 30.

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AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 30 June 2006 amounted to approximately HK\$2,800,000 and HK\$81,000 respectively.

INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Company and for reviewing its effectiveness. The Board is also responsible for maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company.

The Company has developed its systems of internal control and risk management and will continue to review procedures implemented for assessing their effectiveness.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The rights of shareholders and the procedures for demanding a poll on resolutions at general meetings are contained in the Company's Bye-laws. Details of such rights to demand a poll 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 general meeting and posted on the website of the Stock Exchange.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the Remuneration Committee and Audit 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 general meetings.

Separate resolutions are proposed at general meetings on each substantial issue, including the election of individual directors.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintain 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.

To promote effective communication, the Company maintains websites at <http://www.irasia.com/listco/hk/proview> and <http://proview.quamir.com>, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

On behalf of the Board

Yang Long-san, Rowell

Chairman and Chief Executive Officer