



CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31 March 2006.

COMMITMENT TO CORPORATE GOVERNANCE

The Group is firmly committed to maintaining statutory and regulatory standards and regards effective corporate governance as a key component in the Group's sustained development. The Board sets appropriate policies and oversees their implementation both in the affairs of the Board and throughout the Group.

The Company has considered the Principles and complied with all the Code Provisions (except the Code Provisions A.4.1 and A.4.2) of the Code on Corporate Governance Practices (the "CG 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"), and has put in place corporate governance practices suitable and relevant to the Group. The details of the above deviations from the CG Code are provided below.

DISTINCTIVE ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

To ensure a balance of power and authority, the positions of the Chairman of the Board and Chief Executive Officer are held by Mr. Lo Hong Sui, Vincent and Mr. Wong Yuet Leung, Frankie respectively. Their respective responsibilities are clearly defined.

The Chairman is responsible for leading the Board in setting the overall strategy and making major development decisions of the Group and monitoring their implementation, to ensure value creation for shareholders. He takes part in cultivating cordial relationships with strategic associates of the Group and creating a favourable environment for the development of the Group's businesses. As leader of the Board, the Chairman also assesses the development needs of the Board as a whole with a view to building its effectiveness as a team and developing the knowledge and expertise of individual Board members and future leaders of the Group.

The Chief Executive Officer is responsible for leading the operations of the Group's businesses to achieve their business and financial targets, proposing strategies to the Board and ensuring the effective implementation of the strategies and policies adopted by the Board, including the building of a strong corporate culture within the Group.

THE BOARD

Responsibilities

The Group's corporate governance emphasizes a practical management of its affairs with high standard of integrity and transparency of information.

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 and overseeing the achievement of the plans to enhance shareholder value. All Directors are expected to take decisions objectively in the interests of the Company.

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. The Non-executive Directors and Independent Non-executive Directors may take independent professional advice at the Company's expense in carrying out their functions, upon making request to the Board.



The Board reserves for its decision all major aspects of the Company, including: the approval and monitoring of all policy matters, overall strategies, resulting business plans (inclusive of annual budgets) and their implementation, internal control and risk management systems, material transactions (in particular those which may involve conflicts of interest), financial information, major capital expenditure, appointment of Directors and other significant financial and operational matters.

All operational decisions are delegated to the Executive Directors led by the Chief Executive Officer. The day-to-day management, administration and operation of the Company are delegated to the management. The delegated functions and work tasks are periodically reviewed. The Board will give clear directions to the management as to their powers of management, and circumstances where management should report back. Approval has to be obtained from the Board prior to any decision being made or any commitments being entered into on behalf of the Company that are outside the limits of the operational authority delegated by the Board.

The management has an obligation to supply the Board and its committees adequate, complete and reliable information in a timely manner to enable them to make informed decisions. The Board and each Director have separate and independent access to the management. The Board has arranged for appropriate insurance cover for the Directors.

Composition

The Board currently comprises nine members — the Chairman and four other Executive Directors, one Non-executive Director and three Independent Non-executive Directors:

Executive Directors:

Mr. Lo Hong Sui, Vincent

(Chairman of the Board, chairman of Strategy Committee and member of Executive Committee and Remuneration Committee)

Mr. Choi Yuk Keung, Lawrence

(chairman of Executive Committee and member of Strategy Committee)

Mr. Wong Yuet Leung, Frankie

(Chief Executive Officer and member of Executive Committee and Strategy Committee)

Mr. Wong Fook Lam, Raymond

(member of Executive Committee and Strategy Committee)

Mrs. Lowe Hoh Wai Wan, Vivien

(member of Executive Committee and Strategy Committee)

Non-executive Director:

Professor Michael John Enright

(member of Audit Committee and Remuneration Committee)

Independent Non-executive Directors:

Mr. Anthony Griffiths

(chairman of Audit Committee and Remuneration Committee)

Mr. Cheng Mo Chi, Moses

(member of Audit Committee and Remuneration Committee)

Professor K.C. Chan

(member of Audit Committee and Remuneration Committee)

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





During the year ended 31 March 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 are considered by the Board to be independent of management and free of any relationship that could materially interfere with the exercise of their independent judgment. The Board considers that each of the Non-executive Director and Independent Non-executive Directors brings his own relevant expertise to the Board and its deliberations.

The Board encourages target-based performance and innovation to achieve the Group's strategies and plans.

Appointment and Re-election of Directors

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

Code Provision A.4.1 of the CG Code stipulates that Non-executive Directors should be appointed for a specific term, subject to re-election. The Non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Bye-laws of the Company. Under Code Provision A.4.2, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Directors of the Company retire not strictly under Code Provision A.4.2, but in accordance with the Bye-laws which stipulate that one-third of the Directors of the Company, except the Chairman and the Chief Executive Officer, shall retire from office by rotation at each annual general meeting.

The Board considers that all Directors (save for the Chairman and the Chief Executive Officer) are subject to retirement and re-election on a periodic basis under the Bye-laws. The Board also considers that the continuity of leadership is important for the stability and growth of the Company and that both the Chairman and the Chief Executive Officer should not be subject to retirement or hold office for a limited term.

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.

The Board reviews from time to time 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 Chairman 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. External recruitment agencies may be engaged to carry out the recruitment and selection process when necessary.





In accordance with the Company's Bye-laws, Mr. Choi Yuk Keung, Lawrence and Mr. Wong Fook Lam, Raymond shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting. The Board recommends the re-appointment of the Directors standing for re-election at the forthcoming annual general meeting of the Company. The Company's circular dated 28 July 2006 contains detailed information of the Directors standing for re-election.

Training and Continuing Development for Directors

The Chairman has assessed the development needs of the Board as a whole, with a view to building its effectiveness as a team and assists in the development of individual skills, knowledge and expertise.

Arrangements have been made to provide each new Director a comprehensive, formal and tailored induction on the first occasion of his/her appointment and continuing briefing and professional development when necessary.

Board Meetings

Number of Meetings and Directors' Attendance

The Board met regularly during the year as well as on an ad hoc basis, as required by business needs, which amounted to four times during the year ended 31 March 2006. Among these four meetings, the Board met twice to approve the final results for the year ended 31 March 2005 and interim results for the period ended 30 September 2005 respectively. The attendance of the Directors at the regular Board meetings is set out in the table on page 30.

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 them 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 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.

According to current Board practice, any material transaction, which involves a conflict of interest 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 abstain from voting and not to be counted in the quorum at meetings to approve transactions in which such Directors or any of their associates have a material interest.





BOARD COMMITTEES

The Board has set up four main Board Committees, namely, the Audit Committee, the Remuneration Committee, the Executive Committee and the Strategy Committee, for overseeing particular aspects of the Company's affairs. Each of these four Committees has been established with defined written terms of reference, approved by the Board, which set out the Committee's major duties. These terms of reference are available to shareholders upon request and can also be found on the Company's website at www.shuion.com.

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.

Meeting Attendance

The individual attendance record of each Director at the meetings of the Board, Audit Committee, Remuneration Committee, Executive Committee and Strategy Committee during the year ended 31 March 2006 is set out below:

Name of Directors	Attendance/Number of Meetings during the year ended 31 March 2006				
	Regular Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Executive Committee Meetings	Strategy Committee Meetings
Mr. Lo Hong Sui, Vincent	4/4	N/A	3/3	10/10	4/4
Mr. Wong Ying Wai, Wilfred (Resigned on 1 June 2006)	4/4	N/A	N/A	9/10	4/4
Mr. Choi Yuk Keung, Lawrence	4/4	N/A	N/A	10/10	4/4
Mr. Wong Yuet Leung, Frankie	4/4	N/A	N/A	10/10	4/4
Mr. Wong Fook Lam, Raymond	4/4	N/A	N/A	10/10	4/4
Mrs. Lowe Hoh Wai Wan, Vivien	4/4	N/A	N/A	10/10	4/4
Mr. Wong Hak Wood, Louis (Resigned on 1 June 2006)	4/4	N/A	N/A	N/A	2/4
Professor Michael John Enright	4/4	5/5	2/3	N/A	N/A
Mr. Anthony Griffiths	3/4	5/5	3/3	N/A	N/A
Mr. Cheng Mo Chi, Moses	3/4	2/5	3/3	N/A	N/A
Professor K.C. Chan (Appointed on 4 July 2005)	4/4	1/4	2/3	N/A	N/A

1. Audit Committee

Composition of the Committee

Mr. Anthony Griffiths (Chairman of the Committee)

Mr. Cheng Mo Chi, Moses

Professor K.C. Chan

Professor Michael John Enright





Except Professor Michael John Enright who is a Non-executive Director, all of the members are the Independent Non-executive Directors of the Company, with the Chairman having the appropriate professional qualifications as required under the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditors. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public companies. The Board expects the Committee members to exercise independent judgment in conducting the business of the Committee.

Role and duties

Under the terms of reference of the Audit Committee, the principal responsibilities of the Audit Committee include review of the Group's financial statements and the effectiveness of internal control systems. The Audit Committee also oversees the engagement of external auditors and reviews their independence as well as the effectiveness of the audit process. The terms of reference of the Audit Committee, which include the specific duties as set out in the CG Code, is available on the Company's website.

Report on the work performed during the year ended 31 March 2006

The Audit Committee held five meetings during the year. The quorum was two members. Mr. Anthony Griffiths and Professor Michael Enright attended all of the meetings. Mr. Moses Cheng attended two of the meetings and Professor K. C. Chan attended one after his appointment with effect from 4 July 2005. Other attendees of the meetings were the head of the Group's Corporate Evaluation, responsible for internal audit, and, by invitation, the Executive Director and the general manager responsible for the finance and accounting function, together with senior representatives of the external auditors. The Company Secretary acts as the secretary to the Audit Committee.

The work performed by the Audit Committee for the financial year 2005/2006 included reviews of:

- the Group's audited financial statements and other related documents for the year ended 31 March 2005 and the annual results announcement, with a recommendation to the Board for approval;
- the Group's interim financial statements and other related documents for the six months ended 30 September 2005 and the interim results announcement, with a recommendation to the Board for approval;
- the internal control systems of different cement plants of the Group in the Chinese Mainland, as well as the management of the associated business risks;
- the renovation and fitting-out operations in Macau;
- the venture capital funds of the Group;
- the valuation of major assets, including contract receivables and payables, of the Group as at 30 September 2005;
- the changes in accounting policies and major accounting issues arising from the implementation of the new Hong Kong Financial Reporting Standards;





- the accounting treatments for the valuation of investment in Shui On Land Limited (“SOL”) and the resultant gains on disposal of the interest in Rainbow City through the co-investment in SOL;
- the connected transactions reported by management in each quarter, including the implementation and compliance of the Company’s policy on connected transactions;
- the adequacy of the provision for doubtful debts included in the financial statements at the end of each quarter;
- the report and management letter submitted by the external auditors, which summarized matters arising from their audit on the Group’s financial statements for the year ended 31 March 2005;
- the fee proposals of the external auditors for the review of the interim financial statements for the six months ended 30 September 2005 and for the annual audit of the financial statements for the financial year ended 31 March 2006;
- the scope of work of the external auditors and their re-appointment; and
- the annual work programme of the Group’s Corporate Evaluation as well as its staffing and resources planning.

2. Remuneration Committee

Composition of the Committee

Mr. Anthony Griffiths (Chairman of the Committee)

Mr. Cheng Mo Chi, Moses

Professor K.C. Chan

Professor Michael John Enright

Mr. Lo Hong Sui, Vincent

Except Mr. Lo Hong Sui, Vincent who is the Chairman of the Board and Professor Michael John Enright who is a Non-executive Director, all of the Committee members are the Independent Non-executive Directors of the Company. Each member is sufficiently experienced and is appropriately skilled in the issues of determining Board pay in public companies. The Board expects the Committee members to exercise independent judgment in conducting the business of the Committee.

Role and duties

Pursuant to the terms of reference of the Remuneration Committee, the main duties of the Remuneration Committee are:

- (a) to make recommendation 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;
- (b) to determine, review and approve the specific remuneration packages of all Executive Directors and senior management and make recommendations to the Board of the remuneration of Non-executive Directors, taking into account factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration; and





- (c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The terms of reference of the Remuneration Committee, which include the specific duties as set out in the CG Code, is available on the Company's website.

Report on the work performed during the year ended 31 March 2006

The Committee met three times during the year under review. The Directors' attendance at the said three meetings held is set out in the table on page 30. Mrs. Lowe Hoh Wai Wan, Vivien, the Executive Director responsible for human resources matters, attends meetings of the Committee by invitation. The Company Secretary acts as the secretary to the Remuneration Committee.

Minutes of the Committee's meetings are distributed to all Directors.

The Remuneration Committee is tasked to:

- determine the policies for the remuneration of Executive Directors (and certain senior management) to be recommended to the Board that will assist in attracting, motivating and retaining suitably competent Executive Directors;
- review on behalf of the Board the remuneration package recommended by the Chairman or Chief Executive Officer for each Executive Director;
- develop and review the application of schemes to reward Executive Directors and certain senior management with bonuses based on performance for recommendation to the Board of the amounts to be paid to each Executive Director;
- review the proposals for the award of share options annually to Executive Directors based on performance and the policy of encouraging their participation in the equity of the Company for recommendation to the Board; and
- recommend to the Board the structure of long term incentive plans for Executive Directors and certain senior management and determine their application on the basis of achievement of long term targets.

The remuneration of Non-executive Directors is decided by the Board on recommendation by the Chairman of the Company.

One of the key tasks for the Committee is to determine appropriate structures of total remuneration for the Chief Executive Officer and for the Executive Directors comprising salary, performance bonuses, pension scheme contributions, share option grants and long term incentives. In this work, developments in executive remuneration in Hong Kong, Mainland China and other parts of the world are reviewed and monitored with the assistance of remuneration consultants employed by the Remuneration Committee.

Taking into consideration the independent survey of the remuneration policies and packages it commissioned in 2004/2005, the Committee has reviewed the remuneration structures and composition of the Executive Directors of the Company, deciding:

- The existing remuneration structure is appropriate and competitive.





- The balance between short term and long term elements of remuneration is important and shall be retained.
- Salary levels will continue to be reviewed regularly against those in companies of a similar size or nature listed on The Stock Exchange of Hong Kong Limited and operating in China.
- Greater emphasis will be given to performance, taking into account the different responsibilities of each Executive Director, which will be rewarded by bonus payable for achievement of stretching targets.
- Long term incentives are important and should be based on total shareholder return.
- Share options will be granted relative to individual performance.

The Committee determined during the year that the salary and bonus elements of the remuneration of Executive Directors should normally have the following relationships in respect of the total of salary and bonus:

Remuneration Component	Chief Executive Officer	Executive Directors
Salary and allowances	Half	Five Eighths
Bonus for achievement of targets	Half	Three Eighths

In cases of exceptional performance, the bonus element would be increased relative to performance delivered by potentially up to twice the amount that might be given normally.

The bonus for the Chief Executive Officer is based 75% on the Company's performance and 25% on personal performance and for the Executive Directors the two elements are each 50%.

The Committee also determined the number of share options to vest for participants in the mega grant in respect of the Company's and individual performance for the three years to 26 August 2005 as follows:

Mr. Wong Ying Wai, Wilfred	3,500,000
Mr. Choi Yuk Keung, Lawrence	3,375,000
Mr. Wong Yuet Leung, Frankie	1,600,000
Mr. Wong Fook Lam, Raymond	1,300,000
Mrs. Lowe Hoh Wai Wan, Vivien	1,200,000
Mr. Wong Hak Wood, Louis	1,000,000

No other share options were granted to or vested in Directors during the year and no share options have been granted to Directors during the period of the mega grant scheme (27 August 2002 to 26 August 2005).





The remuneration of the Directors for the year was:

	Salary and Allowances HK\$'000	Performance Bonus HK\$'000	Pension Scheme Contributions HK\$'000	Fees HK\$'000	2006 Total HK\$'000	2005 Total HK\$'000
Chairman						
Mr. Lo Hong Sui, Vincent	—	—	—	10	10	10
Vice Chairmen						
Mr. Wong Ying Wai, Wilfred	—	—	—	10	10	496
Mr. Choi Yuk Keung, Lawrence	3,242	1,263	302	10	4,817	5,484
Chief Executive Officer						
Mr. Wong Yuet Leung, Frankie	3,745	1,500	320	10	5,575	2,961
Executive Directors						
Mr. Wong Fook Lam, Raymond	2,102	400	177	10	2,689	3,057
Mrs. Lowe Hoh Wai Wan, Vivien	1,742	350	149	10	2,251	2,147
Non-executive Directors						
Professor Michael John Enright	—	—	—	200	200	200
Mr. Wong Hak Wood, Louis	—	—	—	10	10	10
Independent Non-executive Directors						
Mr. Anthony Griffiths	—	—	—	200	200	200
Professor K. C. Chan	—	—	—	148	148	N/A
Mr. Cheng Mo Chi, Moses	—	—	—	200	200	100
Mr. Cheung Kin Tung, Marvin	—	—	—	52	52	144
Total	10,831	3,513	948	870	16,162	14,809

Mr. Cheung Kin Tung, Marvin resigned on 4 July 2005 and Professor K. C. Chan was appointed on the same day. Mr. Wong Ying Wai, Wilfred and Mr. Wong Hak Wood, Louis both resigned on 1 June 2006 in order to focus full time on the affairs of Shui On Land Limited.

The Remuneration Committee commenced work during the year on a new long term incentive scheme, which is based on making share awards to Executive Directors that will vest on the achievement over rolling three year periods of positive total shareholder return that equals or exceeds the total shareholder return of the Hang Seng Index during the same period. It is intended that shareholders will be invited to approve the detailed scheme at a special general meeting to be held on the same day as the forthcoming annual general meeting.

No service contract of any Director contains a notice period exceeding twelve months.





3. Executive Committee

Composition of the Committee

The members of the Executive Committee comprise all the Executive Directors of the Company and a number of key executives of the Company. Following the resignation of Mr. Wong Ying Wai, Wilfred as an Executive Director of the Company on 1 June 2006, Mr. Choi Yuk Keung, Lawrence has been appointed as the Chairman of the Committee in place of Mr. Wong Ying Wai, Wilfred.

Role and duties

The main duties of the Executive Committee are:

- (a) to plan and allocate resources, human, financial and otherwise, for the execution and implementation of the approved business plans and corporate development strategies;
- (b) to update on market developments and discuss major issues arising from the execution of strategies;
- (c) to review and approve acquisitions and disposals of assets in the ordinary course of business with investment cost/net book value not exceeding HK\$25 million for any single transaction or a series of related transactions, other than notifiable transactions and connected transactions as defined by the Listing Rules;
- (d) to review the operating performance and financial position of the Company and its strategic business units on a monthly basis; and
- (e) to implement the decisions taken by the Board.

Report on the work performed during the year ended 31 March 2006

During the year ended 31 March 2006, the Executive Committee held ten meetings at an interval of about one month. The Directors' attendance at the said ten meetings held is set out in the table on page 30. The work performed by the Executive Committee during the year ended 31 March 2006 covered the matters as set out in the Committee's terms of reference, including mainly the review of the Group's operating performance against the budget and the monitoring of the development and progress of various projects and joint ventures. New projects have been discussed and evaluated and research into the market situation re public works and the construction market has been conducted. The Executive Committee has also worked on the business plan and budget for the year 2006/2007 for the Board's approval.

Besides the members of the Executive Committee, the Non-executive Director, the Independent Non-executive Directors and other senior management (when relevant) are invited to attend the meetings. All minutes of the meetings of the Executive Committee were sent to the Board members.

4. Strategy Committee

Composition of the Committee

The members of the Strategy Committee, chaired by Mr. Lo Hong Sui, Vincent, comprise all the Executive Directors, the head of the finance and accounting function and other staff of the Group. Mr. Wong Ying Wai, Wilfred and Mr. Wong Hak Wood, Louis have ceased to be members of the Committee following their resignation as an Executive Director and a Non-executive Director of the Company respectively on 1 June 2006.





Role and duties

The main duties of the Strategy Committee are:

- (a) to monitor the macro business environment and market trends with respect to the Company's current and potential business areas;
- (b) to evaluate and propose the business strategies for ensuring the long-term competitiveness of the Company's core businesses;
- (c) to formulate corporate strategies for enhancing the Company's long-term development; and
- (d) to review the implementation of set strategies.

Report on the work performed during the year ended 31 March 2006

During the year ended 31 March 2006, the Strategy Committee held four meetings. The Directors' attendance at the said four meetings held is set out in the table on page 30. The work performed by the Strategy Committee during the year ended 31 March 2006 covered the matters as set out in the Committee's terms of reference, including mainly the recommendation of cement operations and property development as the Group's core businesses, the setting of the business strategies for these core businesses, the deployment of resources on these businesses and the evaluation/assessment of various proposed projects and development plans. Strategies proposed were submitted to the Board for approval.

Besides the members of the Executive Committee, the Non-executive Director, the Independent Non-executive Directors and other senior management (when relevant) are invited to attend the meetings.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. The Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31 March 2006.

The Company has also established written guidelines (the "Employees Written Guidelines") on no less exacting terms than the Model Code for dealings in the Company's securities by relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company or the Company's securities. After making specific enquiry of the relevant employees of the Company, no incident of non-compliance with the Employees Written Guidelines was noted by the Company during the year ended 31 March 2006.

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 March 2006.





The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Auditors' Report" on page 54.

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 remuneration paid and payable to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 March 2006 amounted to HK\$3.8 million and HK\$14.6 million respectively. The costs incurred for the non-audit services represented professional fees of HK\$13.1 million for the preparation of accountants' reports and due diligence reviews for the Group's major acquisitions and investment activities, as well as fees totalling HK\$1.5 million for other professional services with respect to tax, accounting and review of interim accounts.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

Pursuant to the Bye-laws, shareholders of the Company holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to convene a special general meeting for the transaction of any specific issues of the Company. Besides, the Bye-laws contain the rights of shareholders and the procedures for demanding a poll voting on resolutions at shareholders' meetings. 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 shareholders' meetings. In case poll voting is conducted, the 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 all the Board Committees, or in their absence, other members of the respective Committees, are available to answer questions at the shareholders' meetings.

Any enquiries by shareholders requiring the Board's attention can be sent in writing to the Company Secretary at the Company's principal place of business in Hong Kong.

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 development. Enquiries from investors are dealt with in an informative and timely manner.

As a channel to further promote effective communication, the Group maintains a website at www.shuion.com where the Company's announcements, business development and operations, financial information, corporate governance practices and other information are posted.

