

Corporate Governance Report

The Board of Directors (the “Board”) of the Company is pleased to present the first Corporate Governance Report for the year ended 31 December 2006.

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders’ value.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Board has reviewed the corporate governance practices of the Company with the adoption and improvement of the various procedures and documentation which are detailed in this report. The Company has applied the principles of and complied with the applicable code provisions 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”) since it was listed on the Stock Exchange on 4 October 2006 (the “Listing Date”) up until 31 December 2006, except for certain deviations as specified with considered reasons as explained below.

The Company is committed to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the CG Code and align with the latest developments.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Company’s businesses, strategic decisions and performances. The Board has reserved for its decision or consideration on matters covering mainly the Company’s overall strategy, annual operating budget, annual and interim results, recommendations on Directors’ appointment or re-appointment, material contracts and transactions as well as other significant policy and financial matters. The Board has delegated the daily operations and administration to the management. The respective functions of the Board and management of the Company have been formalized and set out in writing which was approved by the Board in March 2007. The Board will review the same once a year. In addition, the Board has also established Board committees and has delegated to these Board committees various responsibilities set out in their terms of reference respectively.

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. In addition, a written procedure was established in March 2007 to enable the Directors, in the discharge of their duties, to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

The Board has the full support of the Chief Executive Officer, Managing Directors and the senior management to discharge its responsibilities.

BOARD COMPOSITION

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board is currently made up of ten members in total, with three Executive Directors, one Non-executive Director and six Independent Non-executive Directors.

The Board of the Company comprises the following Directors:

Executive Directors:

Mr. Vincent H. S. Lo

(Chairman of the Board, Chief Executive Officer and member of Remuneration Committee)

Mr. Wilfred Y. W. Wong (will resign w.e.f. 1 May 2007)

(Vice Chairman of the Board and Chief Operating Officer)

Mr. William T. Addison

(Managing Director and Chief Financial Officer)

Non-executive Director:

The Honourable Chun Ying Leung

Independent Non-executive Directors (INEDs):

Sir John R. H. Bond

Dr. Edgar W. K. Cheng *(member of Audit Committee)*

Dr. William K. L. Fung *(Chairman of Remuneration Committee)*

Professor Gary C. Biddle

(Chairman of Audit Committee and member of Remuneration Committee)

Dr. Roger L. McCarthy *(member of Audit Committee)*

Mr. David J. Shaw

The brief biographical details of the Directors are set out in the "Board of Directors and Senior Management" section on pages 61 to 64.

Currently, the Company has six INEDs representing more than half of the Board. Three of the six INEDs have the appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Board has received from each INED an annual confirmation of his independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules. None of the members of the Board is related to one another.

All Directors, including Non-executive Directors and INEDs, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functions. INEDs are invited to serve on the Audit and Remuneration Committees of the Company. Their active participation in the Board and committee meetings brings independent judgment on issues relating to the Company's strategy, performance and management process, taking into account the interests of all shareholders.

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 Articles of Association. 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 of Directors and assessing the independence of INEDs.

In March 2007, the Board has established and adopted a written nomination procedure (the "Nomination Procedure") specifying the process and criteria for the selection and recommendation of candidates for directorship of the Company. The Chairman of the Board shall, based on those criteria as set out in the Nomination Procedure (such as appropriate experience, personal skills and time commitment etc.), identify and recommend the proposed candidate to the Board for approval of an appointment.

Each of the Non-executive Directors of the Company is appointed for a specific term of 3 years and shall be subject to retirement by rotation once every 3 years.

Code provision A.4.2 of the CG Code stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Company's Articles of Association are inconsistent with code provision A.4.2 of the CG Code. It provides that any new Director appointed by the Board during the year shall hold office until the next following annual general meeting after appointment, when he/she shall be eligible for re-election.

To conform with code provision A.4.2 of the CG Code, a special resolution will be proposed at the next forthcoming annual general meeting of the Company to amend the Article 97(3) of the existing Articles of Association of the Company so that any new Director appointed to fill a casual vacancy shall be subject to re-election by shareholders at the first general meeting after appointment.

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.

TRAINING, 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.

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

Number of Meetings and Directors' Attendance

The Company had only held one full Board meeting in the year of 2006 since its listing and has already set a schedule for its regular board meetings and committee meetings in the year 2007 and 2008 in order to comply with the CG Code.

The attendance records of each Director at the Board meeting are set out below:

Name of Directors	Attendance / Number of Meetings
Mr. Vincent H. S. Lo (<i>Chairman</i>)	1/1
Mr. Wilfred Y. W. Wong	1/1
Mr. William T. Addison	1/1
Sir John R. H. Bond	1/1
The Honourable Chun Ying Leung	1/1
Dr. Edgar W. K. Cheng	1/1
Dr. William K. L. Fung	0/1
Professor Gary C. Biddle	1/1
Dr. Roger L. McCarthy	1/1
Mr. David J. Shaw	1/1

Practices and Conduct of Meetings

All Directors have been given an opportunity to include matters in the agenda for regular Board meetings. Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. Board and committee meetings are scheduled at least one year in advance to facilitate maximum attendance of Directors.

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 senior management 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 final version is open for Directors' inspection.

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 interested Directors shall 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

Code provision A2.1 stipulates that the roles of Chairman and Chief Executive Officer (“CEO”) should be separate and should not be performed by the same individual.

Mr. Vincent H. S. Lo, is the Chairman, CEO and the founder of the Company. The Board considers that vesting the roles of the Chairman and CEO in the same person is necessary because of the unique role and market importance of Mr. Vincent H. S. Lo in the business development of the Company. This vesting provides strong and consistent market leadership and is critical for efficient business planning and decisions of the Company. Furthermore, all major decisions are made in consultation with members of the Board and appropriate Board committees. There are six INEDs on the Board offering strong, independent and differing perspectives. The Board is therefore of the view that there are adequate balance-of-power and safeguards in place.

With the support of the Company Secretary and the senior management, the Chairman is responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at the Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner.

The Company will continue to review the effectiveness of the Company’s corporate governance structure and consider whether any changes, including the division of responsibilities and the roles of Chairman and Chief Executive Officer, are necessary.

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, approved by the Board, which set out the Committees’ major duties. The terms of reference of the Board committees are 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 under “Corporate Information” on page 152.

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 Company established a Remuneration Committee in June 2004. The Remuneration Committee was re-constituted in May 2006 with terms of reference in compliance with the CG Code. The Remuneration Committee currently comprises three members, Dr. William K. L. Fung (Chairman), Mr. Vincent H. S. Lo and Professor Gary C. Biddle. The majority of them are INEDs.

The primary functions of the Remuneration Committee include:

- To make recommendations on the establishment of procedures for developing remuneration policy and structure of the Executive Directors and the senior management, such policy shall ensure that no Director or any of his associates will participate in deciding his own remuneration;
- To determine the specific remuneration packages of the Executive Directors and the senior management and to make recommendations to the Board of the remuneration of Non-executive Directors; and
- To review and approve the compensation arrangements for the Executive Directors and the senior management.

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 and Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee normally meets twice 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 Remuneration Committee met once during the period from the Listing Date to 31 December 2006 and the attendance records are set out below:

Name of Committee Members	Attendance / Number of Meeting(s)
Dr. William K. L. Fung (<i>Chairman</i>)	1/1
Mr. Vincent H. S. Lo	1/1
Professor Gary C. Biddle	1/1

Details of the remuneration of the Directors for the year ended 31 December 2006 are set out in note 12 to the financial statements.

AUDIT COMMITTEE

The Company established an Audit Committee in June 2004. The Audit Committee was re-constituted in May 2006 with terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee currently comprises three INEDs, namely Professor Gary C. Biddle (Chairman), Dr. Edgar W. K. Cheng and Dr. Roger L. McCarthy, including 2 INEDs who possess the appropriate professional qualifications or accounting or related financial management expertise. To retain independence and objectivity, the Audit Committee has been chaired by an INED (with 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:

- To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer, internal auditor or external auditors before submission to the Board.
- 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.
- To review the adequacy and effectiveness of the Company's financial controls system, internal controls system and risk management system and associated procedures.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Audit Committee has the same view with the Board regarding the selection, appointment resignation or dismissal of external auditors.

No meeting was held by the Audit Committee during the period from the Listing Date to 31 December 2006.

The Company's annual results for the year ended 31 December 2006 have 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 31 December 2006.

To comply with the code provisions A.5.4 of the CG Code, the Company has also established and adopted in March 2007 a Code for Securities Transactions by Relevant Employees, on no less exacting terms than the Model Code, to regulate dealings in the shares of the Company by certain employees of the Company or any of its subsidiaries who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its shares.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2006.

The Board is responsible for overseeing the preparation of financial statements of the Company with a review to ensuring that such financial statements give a true and fair view of the state of affairs of the Company and that relevant statutory requirements and applicable accounting standards are complied with.

The Management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Company put to the Board for approval.

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 pages 82 and 83.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The remuneration paid/payable to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2006 is set out as follows:

Services rendered for the Company	Fee paid/payable
Audit services:	HK\$ 5,700,000
Non-audit services:	HK\$ 27,600,000
1. Professional fee in connection to the issuance of the prospectus dated 12 June 2006	
2. Professional fee in connection to the issuance of the prospectus dated 20 September 2006	
3. Professional fee in connection to the agreed upon procedures on adjusted conversion price of the Preference shares	
4. Professional fee in connection to the agreed upon procedures on interest service coverage ratio	
Total:	HK\$ 33,300,000

INTERNAL CONTROLS

During the year under review, the Company engaged an external professional adviser to initiate an independent review covering the overall financial, operational, compliance, risk management and monitoring control aspects of the Company. A report from the external professional adviser was addressed and presented to, and reviewed by the Board. The Board had noted the findings and recommendations in the report, and the management has been instructed to take steps to implement those recommendations.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS / INVESTOR RELATIONS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Company's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information which enables shareholders and investors to make the best investment decision.

The general meetings of the Company provide the best opportunity for exchange of views between the Board and the shareholders. 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 shareholders' meetings. The chairman of the independent Board committee will also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

To promote effective communication, the Company maintains a website at www.shuionland.com where up-to-date information in the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDER RIGHTS

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Articles of Association. Details of such rights to demand a poll were 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 shareholders' meeting at which voting is taken on a poll and posted on the websites of the Company and of the Stock Exchange.

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

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Stock Exchange but about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our shareholders are also welcome to promote our transparency.