

Corporate Governance Report

The Board of Directors (the "Board") and management of Shinhint are committed to maintaining a high standard of corporate governance and have put in place self regulatory corporate practices to protect the interests of its shareholders and the enhancement of shareholder value. Our commitment in terms of corporate governance is to provide high-quality products and services to the satisfaction of our customers; maintain high standards of business ethics and achieve these goals while, at the same time, providing satisfactory and sustainable returns to shareholders.

In addition, the Company and its subsidiaries (the "Group") acts in a socially responsible manner through a variety of initiatives and sees this as part of its overall commitment to good corporate governance.

Shinhint has a Corporate Code of Conduct that sets out principles, values and standards of conduct expected of management and staff throughout the Group, and underpins our operating procedures and policies.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the year ended 31st December, 2006 and up to the date of publication of this annual report, applied and complied with the principles in the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation as stated in paragraph headed Chairman and Chief Executive Officer below.

BOARD OF DIRECTORS

The Board of the Company consists of six members, including three Executive Directors, Mr. Cheung Wah Keung, Mr. Ip Wai Cheong, Ernest and Mr. Wang Dong; and three Independent Non-Executive Directors, Mr. Lai Ming, Joseph, Dr. Lam King Sun, Frankie and Mr. Goh Gen Cheung. Save as disclosed, there is no business or other relationship amongst members of the Board.

The biographical details of the Directors are set out on pages 19 to 21 of this annual report.

The Directors have extensive corporate and strategic planning experience and industry knowledge. All Independent Non-Executive Directors have offered sufficient time and efforts to serve the business affairs of the Company. They also possess appropriate academic and professional qualifications and related management experience and have contributed to the Board with their professional opinion. The Board believes that the ratio between Executive Directors and Independent Non-Executive Directors is reasonable and adequate. The Board also believes that the participation of Independent Non-Executive Directors shall offer their independent judgment on issues relating to strategy, performance, conflict of interest and management process such that the interests of all shareholders and the Group are considered and safeguarded.

All directors of the Company have access to timely information in relation to the Group's business and make further enquires when necessary. The Board has also agreed that directors may seek independent professional advice on issues related to the Group's business at the Company's expenses. The Board is fully responsible for the formulation of business policies and strategies in relation to the business operation of the Group, ensures the availability of resources as well as the effectiveness of its internal control including financial control.



BOARD OF DIRECTORS (Continued)

The Company has arranged appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against directors, officers and senior management arising out of corporate activities.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to the requirement of Rule 3.13 of the Listing Rules, the Company has appointed three Independent Non-Executive Directors, one of whom has appropriate professional qualification in accounting and financial management expertise. All Independent Non-Executive Directors have confirmed their independence, as set out in Rule 3.13 of the Listing Rules, to the Company and the Board considers that all Independent Non-Executive Directors have satisfied their independence of the Group up to the date of this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code provision A.2.1 stipulated that the roles of Chairman of the Board (the "Chairman") and Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

Mr. Cheung Wah Keung is the Chairman, the Chief Executive Officer and an Executive Director of the Company. Given the Group's current stage of development, the Board considers that vesting the roles of Chairman and Chief Executive Officer in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operations. The Board considers that further separation of the roles of Chairman and Chief Executive Officer is not necessary for the time being. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

BOARD MEETING

The Board meets at least four times each year. Additional meetings may be convened as and when necessary. During the meetings of the Board, Directors discussed and formulated the business policies and strategies, corporate governance, financial and internal control systems, reviewed the interim and final business results and other relevant important matters. The Directors had participated in the Board meetings as indicated below. For those Directors who could not attend these meetings in person, they participated through electronic media. Implementation and execution of Board policies and strategies and daily administrative matters are delegated to the management of the Company.

The notice of Board meeting will be given to all Directors at least 14 days prior to the date of the meeting. All Directors are given opportunities to include any matters to be discussed in the agenda for discussion at the Board meetings.

BOARD MEETING (Continued)

The Company Secretary must ensure that all applicable rules and regulations are followed and prepare detailed minutes of each meeting. After the meeting, the draft minutes of the meeting shall be circulated to all Directors for comments and approval as soon as practicable. All Board members shall be given a copy of the minutes for their record. Should a matter being considered which involve a potential conflict of interest of a Director, the Director involved in the transaction will be requested to leave the boardroom and abstain from voting. The matter will be discussed and resolved by other Directors.

During the year, the number of meetings held and attended by the members is as follows:

	Meetings Attended		
	Board	Audit Committee	Remuneration Committee
Number of Meetings Held During the Year	4	2	2
<i>Executive Directors</i>			
Mr. Cheung Wah Keung	4	2	2
Mr. Ip Wai Cheong, Ernest	4	N/A	N/A
Mr. Wang Dong	3	N/A	N/A
<i>Independent Non-Executive Directors</i>			
Mr. Lai Ming, Joseph (Note)	4	2	1
Dr. Lam King Sun, Frankie	4	2	2
Mr. Goh Gen Cheung	4	2	2

Note: Appointed as member of Remuneration Committee 15 September 2006

Board committees including Audit Committee and Remuneration Committee all follow the applicable principle, practice and procedures used in the Board meeting.

SUPPLY OF AND ACCESS TO INFORMATION

All Directors have access to Board and Committees' papers and other material either from the Company Secretary or the Chairman so that they are able to make informed decisions on matters placed before them.

NOMINATION OF DIRECTORS

The Company does not have a nomination committee.

The Board regularly reviews its structure, size and composition. The Company adopts a formal and transparent procedure for the appointment of new Directors to the Board. The appointment of a new Director is a collective decision of the Board, taking into consideration the expertise, experience and integrity of that appointee.



NOMINATION OF DIRECTORS (Continued)

Each Director shall, after his appointment, disclose to the Board the number and nature of offices held by such Director in other listed companies and organizations and any other significant commitments.

DIRECTORS TERMS OF APPOINTMENT

All Directors, including Independent Non-Executive Directors, are appointed for a term of three years. All Directors retire from their office by rotation and subject to re-election at an Annual General Meeting at least once every three year.

SECURITIES TRANSACTIONS

The Company has adopted codes of conduct regarding securities transactions by Directors and relevant employees (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. A copy of the Securities Code is sent to each Director and relevant employee of the Company first on his appointment and thereafter twice annually, one month before the date of the board meeting to approve the Company's half-year result and annual result, with a reminder that the Director and relevant employee cannot deal in the securities and derivatives of the Company until after such results have been published.

Under the Securities Code, Directors and relevant employees of the Company are required to notify the Chairman and receive a dated written acknowledgement before dealing in the securities and derivatives of the Company and, in the case of the Chairman himself, he must notify the Chairman of the Audit Committee and receive a dated written acknowledgement before any dealing.

On specific enquiries made, all Directors have confirmed that they have fully complied with the required standards set out in the Securities Code for the period covered by the annual report.

CONTROL MECHANISMS

The Board acknowledges its responsibility in maintaining a sound and effective internal control system for the Group to safeguard investments of the shareholders and assets of the Company at all times.

AUDIT AND INTERNAL CONTROL

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The Board requires management to establish and maintain sound and effective internal controls. Evaluation of the Company's internal controls is independently conducted by the Management on an on-going basis.

The Board confirms that it has reviewed the effectiveness of the internal control system of the Company and its subsidiaries and that they consider such system to be reasonably effective and adequate. The review covered all material controls, including financial, operational and compliance controls and risk management functions.



AUDIT AND INTERNAL CONTROL (Continued)

The Company is in the process of setting up internal audit function which is responsible for the review and assessment of the operational activities and internal control of the Company including the conduct of operational audits on practices, procedures, financial control and risk management. The internal audit function, once established, will maintain a close working relationship with the external auditors and report directly to the Audit Committee periodically.

AUDIT COMMITTEE

The Audit Committee assists the Board in discharging its responsibilities for corporate governance, financial reporting and corporate control. The Committee consists of three Independent Non-Executive Directors, namely, Mr. Lai Ming, Joseph, Dr. Lam King Sun, Frankie and Mr. Goh Gen Cheung. It is chaired by Mr. Lai Ming, Joseph, who has the appropriate professional accounting qualification and financial management expertise.

Regular attendees at the Audit Committee meetings include the Head of Finance and the external auditors. The Committee meets with the external auditors without the presence of company management. The terms of reference of the Audit Committee follow the CG Code.

The Audit Committee met two times in 2006 with an attendance rate of 100%. Each meeting received written reports from the external auditors that deal with matters of significance arising from the work conducted since the previous meeting. During 2006, the work performed by the Audit Committee included:

- the review of significant audit and accounting issues arising from the external auditors' audit;
- meeting with the external auditors without the presence of management to discuss issues arising from the audits and any other matters the auditors might wish to raise;
- reviewing the Company's compliance with regulatory and statutory requirements;
- the Group's risk management processes; and
- developments in accounting standards and the Group's response, including the preparation for adoption of Hong Kong Financial Reporting Standards.

The Audit Committee assesses the independence of the external auditors during the year through a series of questions and the external auditors also formally communicate to the Audit Committee their business relationship with the Group and any other independence matters. The annual results for the year ended 31st December, 2006 have been reviewed by the Audit Committee.



REMUNERATION COMMITTEE

The Remuneration Committee comprises Three Independent Non-Executive Directors - Dr. Lam King Sun, Frankie and Mr. Lai Ming, Joseph and Mr. Goh Gen Cheung and one Executive Director - Mr. Cheung Wah Keung, who was appointed as the Chairman of the committee.

The primary duties of the Remuneration Committee include the following:

1. The Committee shall make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
2. The Committee shall exercise the powers of the Board to determine:
 - (A) the remuneration packages of individual Executive Directors and senior management, (including salaries, bonuses, benefits in kind and the terms on which they participate in any share or other incentive scheme and any provident fund or other retirement benefit scheme) taking into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, employment conditions elsewhere in the group and desirability of performance-based remuneration; and
 - (B) the terms and conditions on which the employment of any Executive Director or senior management shall be terminated to ensure that any compensation payment is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company.
3. The Committee shall review and approve:
 - (A) performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; and
 - (B) compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.
4. The Committee shall make recommendation to the Board on the remuneration of Independent Non-Executive Directors.
5. The Committee should ensure that no Director or any of his associates is involved in deciding his own remuneration.
6. The Committee shall report to the Directors of the Company its activities as the Directors may require from time to time.



REMUNERATION COMMITTEE (Continued)

7. The Committee shall exercise such other powers, authorities and discretions, and perform such other duties, of the Directors in relation to the remuneration of the Executive Directors and senior management as the Directors may from time to time delegate to it, having regard to the CG Code of the Listing Rules.
8. In exercising its power, authorities and discretions and performing its duties, the Committee shall take full account of the CG Code and the Listing Rules.

In order to be able to attract and retain staff of suitable calibre, the Group provides a competitive remuneration package. This comprises salary, housing and provident fund. Although the remuneration of these executives is not entirely linked to the profits of the company or division in which they are working, it is considered that, given the volatility of various businesses within the Group, this has contributed considerably to the maintenance of a stable, motivated and high-calibre senior management team in the Company. The Remuneration Committee met twice in the Year, with all committee members attended the meeting.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company for the year ended 31st December, 2006 and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements.

The statement of the external auditors of the Company, Messrs. Deloitte Touche Tohmatsu, with regard to their reporting responsibilities on the Company's financial statements, is set out in the Independent Auditor's Report on page 29.

The Directors confirm that, to the best of their knowledge, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cause the Company not to continue as a going concern.

AUDITOR'S REMUNERATION

For the year ended 31st December, 2006, services provided to the Company by its external auditors, Deloitte Touche Tohmatsu, and the respective fees paid were:

	2006	2005
Audit services	1,300,000	1,160,000
Other non-audit services	361,000	348,000

The auditor's reporting responsibility is set out on page 29 of this annual report.



INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company regards high quality reporting as an essential element in building successful relationships with its shareholders.

The Company always seeks to provide relevant information to current and potential investors, not only to comply with the different requirements in force but also to enhance transparency and communications with shareholders and the investing public. This is part of a continuous communication program that encompasses meetings and announcements to the market as well as periodic written reports in the form of preliminary announcement of results and interim and annual reports. Extensive information on the Group's activities, business strategies and developments is provided in the Company's annual reports and interim reports.

The Company also maintains a corporate website on which comprehensive information about the Group is provided.

The Company continues to promote and enhance investor relations and communication with its investors. Regular meetings are also held with institutional investors and research analysts to provide them with timely updates on the Group's latest business developments and non-price sensitive information. These activities keep the public informed of the Groups activities and foster effective communications.

The Company is committed to ensuring that it is fully compliant with disclosure obligations stipulated under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information that is released by the Group.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

Save as disclosed in "Substantial shareholders" and so far as the Directors, the Senior Officers and the Supervisors of the Company are aware, as at 31st December, 2006, no other person (other than a Director, Senior Officer or Supervisor of the Company) had an interest or short position in the Company's shares or underlying shares (as the case may be) which are required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 Part XV of the Securities and Futures Ordinance ("SFO"), or which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Save as disclosed in "Directors' and chief executives' interests in shares and underlying shares" so far as the Directors, the Senior Officers and the Supervisors of the Company are aware, as at 31st December, 2006, none of the Directors, the Senior Officers or the Supervisors of the Company had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (as defined in Part XV of the SFO) which was required to be notified to the Company and The SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such Director, Senior Officer or Supervisor is taken or deemed to have under such provisions of the SFO) of which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules.

Corporate Governance Report



PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the percentage of its public float exceeds 25% at 31st December, 2006.