

# Corporate Governance Report

## Corporate governance practices

TPV is committed to ensuring and maintaining high standards of corporate governance.

During the year ended 31st December 2005, the Company has complied with all the code provisions in the "Code on Corporate Governance Practices" (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for the deviation from code provisions A.2.1 and A.4.1 of the CG Code which are explained in the relevant paragraphs in this report.

The board will continue to review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

## The board

The board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The management was delegated the authority and responsibility by the board to manage the day-to-day business of the Group. In addition, the board has also delegated various responsibilities to the board committees. Further details of these committees are set out in this report.

The board has four scheduled meetings a year at quarterly interval and meets as and when required. Dates of regular board meetings are scheduled in the prior year to provide sufficient notice to give all directors an opportunity to attend. The board held four meetings in 2005. The attendance of individual director at board meetings is set out below:

Name of director	Number of board meetings held during the director's term of office in 2005	Number of board meetings attended
Dr Hsuan, Jason (Chairman and Chief Executive Officer)	4	4
Mr Hounq Yu-Te	4	3
Mr Wang Dongsheng	4	1
Mr Chen Yanshun	4	4
Mr Wang Yanjun	4	1
Mr Maarten Jan de Vries (appointed on 6th October 2005)	1	1
Mr Chang Yueh, David (appointed on 22nd December 2005)	0	0
Mr Chan Boon-Teong	4	3
Dr Ku Chia-Tai	4	4
Mr Wong Chi Keung	4	4
Mr Djuhar, Johny (retired on 11th May 2005)	1	0
Mr Martin Vincent McHugh (appointed on 6th October 2005 and resigned on 22nd December 2005)	1	0

The company secretary keeps the minutes of board meetings for inspection by the directors.

The Company enables the directors, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense. The board shall resolve to provide separate appropriate independent professional advice to the directors to assist the relevant directors to discharge their duties.

The Company has arranged for appropriate liability insurance to indemnify directors for their liabilities arising out of corporate activities. This insurance coverage is reviewed on an annual basis by the board.

# Corporate Governance Report

## Chairman and chief executive officer

Code provision A.2.1 stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual.

Dr Hsuan, Jason currently holds the offices of Chairman and Chief Executive Officer of the Company. The board believes that vesting the roles of both positions in Dr Hsuan provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. The board also believes that the Company already has a strong corporate governance structure in place to ensure effective supervision of management. Such a structure provides many of the benefits of having a separate chairman and chief executive officer. The structure includes:

- having non-executive directors and independent non-executive directors comprising a majority of the board
- having the audit committee composed exclusively of independent non-executive directors
- having independent non-executive directors comprising a majority of the remuneration committee
- ensuring that independent non-executive directors have free and direct access to both the Company's management, internal audit division, external auditors and independent professional adviser where considered necessary

The board believes that these measures will ensure that independent non-executive directors continue to effectively monitor the Group's management and to review and provide recommendation on key issues relating to strategy, risk and integrity. The board continually reviews the effectiveness of the Group's corporate governance structure to assess whether any changes, including the separation of the roles of chairman and chief executive officer, are necessary.

## Board composition

The board comprises two executive directors, being Dr Hsuan, Jason and Mr Hsuan Yu-Te, five non-executive directors, being Mr Wang Dongsheng, Mr Chen Yanshun, Mr Wang Yanjun, Mr Maarten Jan de Vries and Mr Chang Yueh, David and three independent non-executive directors, being Mr Chan Boon-Teong, Dr Ku Chia-Tai and Mr Wong Chi Keung.

Brief biographical particulars of all the directors, together with information relating to the relationship among them, are set out in the Report of the Directors. Their mix of professional skills and experience is an important element in the proper functioning of the board in ensuring a high standard of objective debate and overall input to the decision-making process.

Apart from the annual confirmation of independence which are made by independent non-executive directors pursuant to Rule 3.13 of the Listing Rules, the Company also received quarterly confirmation of independence from these directors. The board has assessed the independence of independent non-executive directors and considered that all of them are independent within the definition of the Listing Rules.

## Re-election of directors

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

The Company's non-executive directors are not appointed for a specific term. However, one-third of all the directors of the Company for the time being are subject to retirement by rotation at each annual general meeting pursuant to bye-law 99 of the Bye-laws of the Company. The board considers that sufficient measures have been made to ensure that the Company's corporate governance practices are no less exacting than those stipulated in the CG Code.

The board considers the determination of the appointment and removal of directors to be the board's collective decision and accordingly, it does not intend to adopt the recommended best practice of the CG Code to set up a nomination committee in the meantime.

# Corporate Governance Report

## Responsibilities of directors

Every newly appointed director is ensured to have a proper understanding of the operations and business of the Group and that he is fully aware of his responsibilities and ongoing obligations under the Listing Rules, applicable legal requirements and other regulatory requirements and the corporate governance policies of the Company. Throughout their tenure, the directors shall be provided with updates on legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the discharge of their responsibilities.

Every director is aware that he should give sufficient time and attention to the affairs of the Company.

The independent non-executive directors take an active role in board meetings, make sound judgement on issues of strategy, policy, performance, accountability, resources and standard of conduct. They will take lead where potential conflicts of interests arise. They are also core members of other board committees of the Company.

## Directors' securities transactions

The Company has adopted its own code of conduct regarding securities transactions by directors of the Company (the "Internal Rules") 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") in the Listing Rules.

Specific enquiries have been made with all directors who have confirmed that they have complied with the required standard set out in the Model Code and in the Internal Rules during the year ended 31st December 2005.

Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are subject to compliance with the Company's "Code for Securities Transactions by Relevant Employees" (the "RE Code") in respect of their dealings in the securities of the Company. Likewise, the RE Code is prepared on terms no less exacting than the required standard set out in the Model Code.

## Supply of and access to information

In respect of regular board meetings, an agenda of the meeting and the accompanying board papers are sent to all directors at least fourteen days and at least five days before the meeting.

The Chairman and Chief Executive Officer will periodically present the updated strategies and objectives of the Group at board meetings so as to ensure all directors are aware of the targets the Group achieves.

Management has the obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions. Where any director requires more information than is supplied by the management, each director has separate and independent access to the company secretary and management to make further enquires, if necessary.

All directors are entitled to have access to board papers, minutes and relevant materials.

## Remuneration of directors and senior management

The Company has established a remuneration committee with specific written terms of reference which are in line with the relevant code provisions of the CG Code.

The remuneration committee is responsible for reviewing and evaluating the remuneration packages of executive directors and senior management and making recommendations to the board from time to time.

# Corporate Governance Report

## Remuneration of directors and senior management (Continued)

The chairman of the remuneration committee is Mr Chan Boon-Teong who is an independent non-executive director also serving as the chairman of the audit committee. The other members of the committee are Dr Ku Chia-Tai and Mr Wong Chi Keung, independent non-executive directors of the Company, and Dr Hsuan, Jason, the Chairman and Chief Executive Officer of the Company. The remuneration committee held one meeting in 2005. The attendance of individual member at remuneration committee meeting is set out below:

Name of director	Number of attendance
Mr Chan Boon-Teong (chairman of remuneration committee)	1/1
Dr Ku Chia-Tai	1/1
Mr Wong Chi Keung	1/1
Dr Hsuan, Jason	1/1

At the meeting during the year, the remuneration committee reviewed the remuneration packages of executive directors, the directors' fee of independent non-executive directors and the remuneration policy in respect of senior management of the Group for 2005.

The Company has adopted a new share option scheme in May 2003 (the "New Scheme") which serves as an incentive to attract, retain, and motivate high caliber staff and directors serving for the Group.

Details of the directors' and senior management's emoluments are set out in note 7 to the accounts and details of the New Scheme and the directors' interest in share options are set out in the Report of the Directors.

The remuneration committee has the right to seek any information it considers necessary to fulfill its duties, which includes the right to obtain appropriate external advice at the Company's expense. The remuneration committee is provided with sufficient resources by the Company to discharge its duties.

## Accountability and audit

The directors acknowledge their responsibility for preparing the financial statements of the Company which give a true and fair view of the state of affairs of the Group and in presenting the quarterly results, interim and annual financial statements to shareholders.

The board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, the directors continue to adopt the going concern approach in preparing the accounts of the Company.

Starting from June 2000, the Company publishes its financial results on a quarterly basis to enhance transparency about its performance and to give details of the latest development of the Group.

## Internal controls

The board has overall responsibility for the internal control system of the Company and for reviewing its effectiveness. The board is committed to implementing an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets.

Through the Company's internal audit division, the directors review the effectiveness of the system of internal control of the Company on an ongoing basis. The internal audit division evaluates the Group's internal control system and such evaluation covers all material controls, including financial, operational and compliance controls and risks management functions. The reports and findings prepared by the internal audit division will be reported to the audit committee and the Chairman and Chief Executive Officer quarterly. Relevant recommendations made by the internal audit division will be implemented in stages by the Group to further enhance its internal control policies, procedures and practices.

The internal audit division presents in the prior year their risk-based audit plan to the audit committee for approval.

# Corporate Governance Report

## Audit committee

The Company has established an audit committee with specific written terms of reference which are in line with the relevant code provisions of the CG Code.

All the members of the audit committee are independent non-executive directors who among themselves possess a wealth of management experience in the financial, accounting, commercial, industrial, real-estate and telecommunication sectors. The committee is chaired by Mr Chan Boon-Teong. The other members are Dr Ku Chia-Tai and Mr Wong Chi Keung. There are 5 meetings held by the committee members in 2005. The attendance of individual member at audit committee meetings is set out below:

Name of director	Number of attendance
Mr Chan Boon-Teong (chairman of audit committee)	5/5
Dr Ku Chia-Tai	3/5
Mr Wong Chi Keung	5/5

Work performed by the audit committee during the year included:

- meeting with external auditors to discuss the scope of their audit
- reviewed and revised its terms of reference to conform to the CG Code
- reviewed the annual accounts for the year ended 31st December 2004
- reviewing the interim accounts for the six months ended 30th June 2005
- reviewing the accounting policies adopted by the Group
- reviewing the connected transactions entered into by the Group during the year
- reviewing the internal audit plan for 2006
- reviewing financial control, internal audit and the system of internal control, and discussing the same with the management

Minutes of audit committee meetings are kept by company secretary of the Company. Draft and final versions of minutes of the audit committee meetings are sent to all members of the committee for their comment and records respectively.

The audit committee meets the external auditors at least once a year to discuss any areas of concerns during the audits. The audit committee reviews the interim and annual results before submission to the board. The committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual results.

The board agrees with the proposal of the audit committee for re-appointing Messrs PricewaterhouseCoopers as the Company's external auditor for the year 2006. The recommendation will be put forward for approval by shareholders at the Company's annual general meeting to be held on 17th May 2006.

The audit committee is provided with sufficient resources by the Company, including the advice of the external auditors and internal auditors, to discharge its duties.

# Corporate Governance Report

## Auditors' remuneration

During the year under review, the remuneration paid to the Company's auditors, Messrs PricewaterhouseCoopers, is set out as follows:

Services rendered	Fee paid/payable US\$'000
Audit service	516
Non-audit service	
– due diligence on the acquisition of the Philips Contributed Business	324
– others	270
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	1,110

## Delegation by the board

The day-to-day management of the Company is delegated to the management, with division heads responsible for different aspects of the business.

Major corporate matters that are specifically delegated by the board to the management include the preparation of quarterly results, interim and annual reports and announcements for board approval before publishing, execution of business strategies and initiatives adopted by the board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

## Communications with shareholders and investors

The Company uses a number of formal communication channels to account to shareholders for the performance of the Company. These include annual reports and interim reports, quarterly results announcements as well as annual general meetings.

The Company welcomes comments and questions from shareholders at annual general meetings. The Chairman and Chief Executive Officer, the chairman of the audit committee and the remuneration committee together with external auditors are available to answer shareholders' questions at annual general meetings.

The management personnel responsible for investor relations held regular meetings with media, equity research analysts, fund managers and investors. The Company also holds periodic presentations, road shows and conference calls for the international investment community.

## Voting by poll

The chairman of general meetings has since May 2005 voluntarily demands poll voting for all resolutions at general meetings. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual directors.

Details of the poll voting procedures and the rights of shareholders to demand a poll at general meetings are included in the circular to shareholders despatched together with the annual report of the Company. The circular also contains relevant details of resolutions which include the explanatory statement in relation to the general mandate for repurchase of shares and biographies of retiring directors standing for re-election at annual general meetings.

The poll is conducted by the Company's share registrar and the results of it are published in the newspapers.