

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of Tai Sang Land Development Limited (the "Company") and its subsidiary companies (collectively the "Group") present their corporate governance report for the year ended 31st December 2005.

1 CORPORATE GOVERNANCE PRACTICES

Sound corporate governance practices are crucial to the smooth, effective and transparent operation of the Group and the ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholder value. The Group is committed to maintain high standards corporate governance in its day-to-day operations.

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited for the year ended 31st December 2005.

2 DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the codes of conduct regarding securities transactions by directors (as defined in the Code) on terms no less exacting than the required standard set out in the Model Codes for Securities Transactions of Listed Issuers (the "Model Codes") contained in Appendix 10 of the Listing Rules.

On specific enquires made, all directors have confirmed that, for the year ended 31st December 2005, they have complied with the required standard set out in the Model Codes and the Company's code of conduct regarding directors' securities transactions.

3 BOARD OF DIRECTORS

(a) Composition of the Board

The Board of the Company oversees the management, businesses, strategic directions and financial performance of the Group.

The Board currently comprises a total of 12 directors, including 8 executive directors, 1 non-executive director and 3 independent non-executive directors. The biographies of the directors are set out on pages 1 to 2 of this annual report.

The executive committee of the Board, comprising the Chairman, Deputy Chairman, 2 Managing Directors and 4 Executive Directors, meets regularly to review and discuss management reports on the performance of the Company, current plans and long term opportunities, and any other issues of immediate concern.

All directors keep abreast of their collective responsibility. The Group provides briefings and other training to develop and refresh the directors' knowledge and skills. The Group continuously updates all directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and to enhance their awareness of good corporate governance practices.

Every director is aware that he/she should give sufficient time and attention to the affairs of the Group. Directors have satisfactory attendance rates at both board meetings and committee meetings, including Audit Committee and Remuneration Committee meetings.

3 BOARD OF DIRECTORS (Continued)

(b) Board meetings

Full board meetings are held formally at least 4 times a year and involve the active participation, either in person or through other electronic means of communication, of a majority of directors.

During the year, the Board had held 4 full board meetings. Attendance of individual director is as follows:

	Attendance	Percentage
Executive directors		
– Mr. William Ma Ching Wai	4/4	100%
– Mr. Patrick Ma Ching Hang	4/4	100%
– Mr. Alfred Ma Ching Kuen	4/4	100%
– Ms. Amy Ma Ching Sau	4/4	100%
– Ms. Katy Ma Ching Man	4/4	100%
– Ms. Ruth Ma Ching Keung	4/4	100%
– Ms. Ida Ma Ching Kwai	4/4	100%
– Mr. Philip Ma Ching Yeung	4/4	100%
Non-executive director		
– Mr. Edward Cheung Wing Yui	3/4	75%
Independent non-executive directors		
– Mr. Kevin Chau Kwok Fun	3/4	75%
– Mr. Tan Soo Kiu	4/4	100%
– Mr. William Wong Hing Kwok	3/4	75%

At the meetings the directors discuss and formulate overall strategies for the Group, monitor financial performance and discuss the annual and interim results, as well as other significant matters.

At least 14 days notice of the board meetings is given to all directors, and all directors are given an opportunity to include matters for discussion in the agenda.

An agenda and accompanying board papers are sent in full to all directors in a timely manner and at least 4 days before the intended date of a full board meeting. They also have unrestricted access to the advice and service of the Company Secretary, who assists the Chairman in preparing the agenda for meetings, is responsible for providing directors with board papers and related materials and ensures that board procedures are followed.

The Audit Committee and Remuneration Committee also follow the applicable practices and procedures used in board meetings for committee meetings.

The Company Secretary keeps detailed minutes of each meeting, which are available to all directors. A draft of the minutes is circulated to all directors for comment and approval as soon as practicable after the meeting.

4 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board has appointed a Chairman who ensures that the Board works effectively and that all important issues are discussed in a timely manner. The positions of the Chairman and Chief Executive Officer are held by separate individuals as to maintain an effective segregation of duties.

Chief Executive Officer is responsible for the day-to-day management of the Group's operations and conducts regular meetings with the executive committee, at which operational issues and financial performance are evaluated.

5 TERMS OF APPOINTMENTS AND RE-ELECTION OF DIRECTORS

Non-executive directors are appointed for a specific term of one to three years. All directors retire from office by rotation and are subject to re-election at an annual general meeting at least once every three years. At every annual general meeting, one-third of the directors for the time being shall retire from office and be eligible for re-election.

The Company's articles of association provide that directors appointed to fill a casual vacancy shall hold office until the first annual general meeting after their appointment, and shall be subject to re-election by the shareholders.

6 REMUNERATION OF DIRECTORS

The remuneration for the executive directors comprises directors' fees, basic salaries and discretionary bonuses. Quarter accommodations are provided to certain directors. Details of the amount of emoluments of directors paid for the year ended 31st December 2005 are set out in note 8 to the financial statements in this annual report.

The Remuneration Committee of the Company was established in April 2005. The Remuneration Committee comprises two independent non-executive directors, Mr. Tan Soo Kiu and Mr. William Wong Hing Kwok and an executive director, Ms. Katy Ma Ching Man and was established with specific terms of reference in accordance with the requirement of the Code. Its terms of reference are made available on the website of the Company. This committee is chaired by Ms. Katy Ma Ching Man.

The Remuneration Committee is responsible for formulating and recommending remuneration policy to the board and determining the remuneration of executive directors and members of senior management, as well as reviewing and making recommendations on the Group's share option scheme, bonus structure, provident fund and other compensation-related issues. The committee shall consult with the Chairman on its proposals and recommendations, and has access to professional advice if deemed necessary.

During the year, the Remuneration Committee had held 1 meeting. Attendance of individual member is as follows:

	Attendance	Percentage
Committee member		
– Ms. Katy Ma Ching Man	1/1	100%
– Mr. Tan Soo Kiu	1/1	100%
– Mr. William Wong Hing Kwok	1/1	100%

7 AUDIT COMMITTEE

The Audit Committee was established in 1999 with specific written terms of reference which deal clearly with its authority and duties. The terms of reference in accordance with the requirement of the Code are made available on the website of the Company.

The Audit Committee is responsible for the following:

- making recommendations on the appointment, reappointment and removal of external auditors and considering the terms of such appointments;
- developing and implementing policies on the engagement of external auditors for non-audit services;
- monitoring the integrity of the financial statements, annual and interim reports and the auditors' report to ensure that the information presents a true and balanced assessment of the Group's financial position;
- ensuring that management has fulfilled its duty to maintain an effective internal control system.

Its members include 4 non-executive directors, 3 of whom are independent non-executive directors. This Committee is chaired by Mr. Kevin Chau Kwok Fun. The other members are Mr. Edward Cheung Wing Yui, Mr. Tan Soo Kiu and Mr. William Wong Hing Kwok.

During the year, the Audit Committee had held 2 meetings. Attendance of individual member is as follows:

	Attendance	Percentage
Committee member		
– Mr. Kevin Chau Kwok Fun	2/2	100%
– Mr. Edward Cheung Wing Yui	2/2	100%
– Mr. Tan Soo Kiu	2/2	100%
– Mr. William Wong Hing Kwok	1/2	50%

8 FINANCIAL REPORTING

The Board, supported by the accounts department, is responsible for keeping proper accounting records and the preparation of the financial statements of the Company and the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted and the financial statements comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently.

The reporting responsibilities of directors and external auditors are set out in the Auditors' Report on page 17.

9 INTERNAL CONTROL

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness through the Audit Committee. The Board requires management to establish and maintain sound and effective internal controls. Evaluation of the Group's internal controls is conducted by the Internal Auditor on an on-going basis. Such evaluation covers all material controls, including financial, operational and compliance controls and risk management functions. Internal Auditor will report to the Audit Committee twice each year on significant findings on internal controls. Copy of minutes of the Audit Committee meeting will also be sent to the Board for information.

10 AUDITORS' REMUNERATION

During 2005, fees paid to PricewaterhouseCoopers ("PwC") and other auditors of subsidiary companies for taxation service were HK\$236,500 and HK\$467,766 respectively. Fees payable for audit and audit-related services to PwC and other auditors were HK\$1,552,000 and HK\$356,900 respectively.

On behalf of the Board

William Ma Ching Wai
Chairman

Hong Kong, 27th March 2006