

CORPORATE GOVERNANCE REPORT

The Board of Directors

The Board of Directors of the Group (the “Board”) assumes responsibility for the management of the Group’s affairs, and concentrates on matters affecting the Group’s overall strategic policies, finances, shareholder interests and corporate governance. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

The Directors of the Group during the year and up to the date of this report were:

Group Executive Directors

Mr Horst Julius Pudwill, *Chairman and Chief Executive Officer*

Mr Roy Chi Ping Chung JP, *Group Managing Director*

Mr Kin Wah Chan

Mr Chi Chung Chan

Non-executive Director

Mr Vincent Ting Kau Cheung

Independent Non-executive Directors

Mr Joel Arthur Schleicher

Mr Christopher Patrick Langley

Mr Manfred Kuhlmann

The Board meets regularly, and all members of the Board are given complete and reliable information in relation to the affairs of the Group, and receive the support from and access to the Company Secretary in respect of all meetings of the Board. Each Director is afforded access, on his request, to senior management of the Group and to independent legal advice. All Directors receive briefings and professional development training as necessary to ensure a proper understanding of the business of the Group and their responsibilities under statute and at common law.

The Board held four meetings at approximately quarterly intervals during 2005, and the table below sets out the attendance record of each Director:

Category of Director	Name of Director	Attendance Record
Group Executive Directors	Mr Horst Julius Pudwill	4/4
	Mr Roy Chi Ping Chung JP	4/4
	Mr Kin Wah Chan	4/4
	Mr Chi Chung Chan	4/4
Non-executive Director	Mr Vincent Ting Kau Cheung	2/4
Independent Non-executive Directors	Mr Joel Arthur Schleicher	4/4
	Mr Christopher Patrick Langley	3/4
	Mr Manfred Kuhlmann	4/4

More than one third of the Board comprises Independent Non-executive Directors. The Company has received confirmation from each Independent Non-executive Director of his continuing independence under the Listing Rules, and the Board considers each of them to be independent. None of the Directors is related to each other. Each of the Independent Non-executive Directors has professional, financial or accounting qualifications.

No service contract has been entered into between the Company and any of the Directors. No casual vacancies on the Board occurred during 2005 or to the date of this report.

The auditors of the Group are Deloitte Touche Tohmatsu, and in 2005, Deloitte Touche Tohmatsu provided the following services to the Group:

Nature of Services	Amount (HK\$ million)
External Audit Services	14.5
Taxation Consultancy Services	0.3
Other Consultancy Services	0.6

Deloitte Touche Tohmatsu are also the tax advisers of Hong Kong companies of the Group. The other consultancy services provided by Deloitte Touche Tohmatsu comprised an internal control review of the operations of a joint venture.

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The Group confirms that it has complied with all material provisions of the Code of Corporate Governance Practices set out in Appendix 14 of the Listing Rules, save that:

1. The roles of Chairman and the Chief Executive Officer are both performed by Mr Horst Julius Pudwill. The Group does not currently propose to separate the functions of Chairman and Chief Executive Officer, as both the Board and senior management of the Group has significantly benefited from the leadership, support and experience of Mr Pudwill.
2. The Board formally adopted written procedures on 11th April, 2006 to govern the delegation of daily management responsibilities to the senior management of the Group and the reservation to the Board of specifically identified matters. This supplemented and enhanced the prior practice of the Board of delegating signing authority on a case-by-case basis for each significant agreement entered into by the Group. The work of the Audit Committee will include reviewing on an ongoing basis the Group's internal controls and the delegation and reporting procedures between the Board and senior management.
3. None of the Directors is appointed for a specific term since they are subject to retirement by rotation and re-election in accordance with the Articles of Association of TTI. Under Article 103 of the Articles of Association of TTI, one third of the Board must retire by rotation at each Annual General Meeting and, if eligible, offer themselves for re-election.

Code for Securities Transactions

The Board has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). The Group confirms that, after specific enquiry with each Director, all Directors have confirmed compliance with the Model Code. The Board has also adopted a code of conduct, on terms no less onerous than the Model Code, that applies to securities transactions of all relevant employees who may be in possession of unpublished price-sensitive information in relation to the Group's shares, and which is now published on the Group's website (www.ttigroup.com).

Committees of the Board

Audit Committee: An Audit Committee was established in 1999, and on 11th April, 2006 the Board adopted written terms of reference for the role and function of the Audit Committee, now published on the Group's website (www.ttigroup.com). The role and function of the Audit Committee is to assist the Board to ensure that an effective system of internal control and compliance with the Group's obligations under the Listing Rules and other applicable laws and regulations is in place, and to oversee the integrity of the financial statements of the Group.

The Audit Committee is comprised of the three Independent Non-executive Directors, and is chaired by Mr Joel Arthur Schleicher. Each member of the Audit Committee has professional, financial or accounting qualifications.

The Audit Committee held three meetings during 2005, and the table below sets out the attendance record of each member:

Category of Director	Name of Director	Attendance Record
Independent Non-executive Directors	Mr Joel Arthur Schleicher	3/3
	Mr Christopher Patrick Langley	2/3
	Mr Manfred Kuhlmann	3/3

The Audit Committee has committed to four regularly scheduled meetings during 2006.

An Internal Audit ("IA") function was established in 2005 under terms of reference approved by the Audit Committee to actively monitor and participate in the improvement of the Group risk management and internal control framework. The Head of IA reports directly to the Audit Committee on audit matters and to the Chief Executive Officer on administration matters. IA uses a risk-assessment approach to establish its annual audit plan. The 2006 audit plan was submitted to and approved by the Audit Committee in August 2005. Independent reviews of different financial, business and functional operations and activities will be conducted with audit resources being focused on higher risk areas. Ad hoc reviews may also be conducted on areas of concern identified by the Audit Committee and management.

The Audit Committee has reviewed with senior management of the Group and the Group's external auditors, Messrs. Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the consolidated financial statements.

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Remuneration Committee: A Remuneration Committee was established during 2005, and on 11th April, 2006 the Board adopted written terms of reference for the role and function of the Remuneration Committee, now published on the Group's website (www.ttigroup.com). The role and function of the Remuneration Committee is to assist the Board in developing and administering a fair and transparent procedure for setting policy on the overall human resources strategy of the Group and the remuneration of directors and senior management of the Group, and for determining their remuneration packages, on the basis of their merit, qualifications and competence, and having regard to the Company's operating results, individual performance and comparable market statistics. The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note (42) to the financial statements.

The Remuneration Committee is comprised of three members, and is chaired by Mr Vincent Ting Kau Cheung (Non-executive Director), the other members being Mr Christopher Patrick Langley and Mr Manfred Kuhlmann (Independent Non-executive Directors). The Remuneration Committee did not hold any meetings during 2005, but has committed to meeting twice during 2006.

Nomination Committee: A Nomination Committee was established in April 2006, and the Board adopted written terms of reference for the role and function of the Nomination Committee, now published on the Group's website (www.ttigroup.com). The role and function of the Nomination Committee is to ensure a fair and transparent process of Board appointments, and in particular to assist the Board to identify suitable candidates and make recommendations for consideration of the Board and shareholders.

The Nomination Committee is comprised of three members, and is chaired by Mr Vincent Ting Kau Cheung (Non-executive Director), the other members being Mr Christopher Patrick Langley and Mr Manfred Kuhlmann (Independent Non-executive Directors). The Nomination Committee has committed to meeting twice during 2006.

Investor Relations and Shareholder Communications

The Group understands the importance of maintaining effective communication with our shareholders and the investment community. The Board has adopted a Policy on Market Disclosure, Investor Relations and Shareholder Communications, now published on the Group's website (www.ttigroup.com), to ensure that the Group complies with its disclosure obligations 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 issued by TTI.