

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 2006.

1 CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintain a high standard of corporate governance practices and procedures.

For the year under review, the Company has complied with all the applicable, as code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2 DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the codes of conduct regarding directors' securities transactions (as defined in the CG 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 2006, they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

3 BOARD OF DIRECTORS

(a) Composition of the Board

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

The Board currently comprises a total of 11 (subsequent to resignation of Ms. Ida Ma Ching Kwai on 19th March 2007) directors, with 7 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 3 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 5 full board meetings. Attendance of individual director is as follows:

	Attendance	Percentage
Executive directors		
– Mr. William Ma Ching Wai	5/5	100%
– Mr. Patrick Ma Ching Hang	5/5	100%
– Mr. Alfred Ma Ching Kuen	5/5	100%
– Ms. Amy Ma Ching Sau	5/5	100%
– Ms. Katy Ma Ching Man	5/5	100%
– Ms. Ruth Ma Ching Keung	4/5	80%
– Ms. Ida Ma Ching Kwai	5/5	100%
– Mr. Philip Ma Ching Yeung	5/5	100%
Non-executive director		
– Mr. Edward Cheung Wing Yui	3/5	60%
Independent non-executive directors		
– Mr. Kevin Chau Kwok Fun	5/5	100%
– Mr. Tan Soo Kiu	4/5	80%
– Mr. William Wong Hing Kwok	5/5	100%

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 provides leadership for the Board and 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.

6 REMUNERATION OF DIRECTORS

The remuneration for the executive directors comprises directors' fees, basic salaries, discretionary bonuses, retirement benefits, housing and other allowances. Quarter accommodations are provided to certain directors. Details of the amount of emoluments of directors paid during the year ended 31st December 2006 are set out in note 23(a) to the financial statements.

The Remuneration Committee of the Company was established in April 2005. The Remuneration Committee comprised 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 CG Code. Its terms of reference are made available on the website of the Company.

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 mechanism, retirement benefit scheme 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 2 meeting. Attendance of individual member is as follows:

	Attendance	Percentage
Committee member		
– Ms. Katy Ma Ching Man	2/2	100%
– Mr. Tan Soo Kiu	2/2	100%
– Mr. William Wong Hing Kwok	2/2	100%

7 AUDIT COMMITTEE

The Audit Committee was established in year 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 CG Code is 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 independent auditor's report to ensure that the information presents a true and balanced assessment of the Group's financial position; and
- ensuring that management has fulfilled its duty to maintain an effective internal control system.

Its members include 4 non-executive directors, the majority of whom are independent non-executive directors. Audit Committee is chaired by Mr. Kevin Chau Kwok Fun and 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	2/2	100%

8 FINANCIAL REPORTING

It is the responsibility of the Board to present a balanced, clear and comprehensible assessment of the Company's and the Group's performance, position and prospects.

The Board is responsible for keeping proper accounting records and the preparation of the financial statements of the Company and the Group. The financial statements are prepared in accordance with Hong Kong Financial Reporting 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 auditor are set out in the Independent Auditor's Report on page 17 of this annual report.

9 INTERNAL CONTROL

The Board is responsible for the internal control of the Group and for reviewing its effectiveness through the Audit Committee. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

Evaluation of the Group's internal controls is conducted by the Internal Auditor on an on-going basis. Such evaluation covers significant internal controls, including financial reporting, 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 COMMUNICATION WITH SHAREHOLDERS

The Board and senior management maintain a continuing dialogue with the Company's shareholders and investors through various channels including the Company's annual general meeting. The Chairman, the Deputy Chairman, Managing Directors, other members of the Board and external auditor attend the annual general meeting. The directors will answer questions raised by the shareholders on the performance of the Group. The Company holds press conference once a year following annual general meeting at which the Chairman and senior management of the Group are available to answer questions regarding the performance of the Group. Our corporate website which contains corporate information, interim and annual reports, announcements and circulars issued by the Group as well as the recent developments of the Group enables the Company's shareholders to have a timely and updated information of the Group.

11 AUDITORS' REMUNERATION

Fees for audit and audit-related services to PricewaterhouseCoopers ("PwC") and other auditors were HK\$1,487,000 and HK\$291,070 respectively for the year. During 2006, fees for non-audit services to PwC and other auditors were HK\$424,040 and HK\$280,582 respectively.

On behalf of the Board

William Ma Ching Wai
Chairman

Hong Kong, 26th March 2007