

The Company is committed to adopting the standards of corporate governance. The board of directors (the "Board") of the Company believes that good governance is essential to achieving the Group's objectives of maximizing shareholders' value and safeguarding the interests of the shareholders.

The Company and the Directors confirm, to the best of their knowledge, that the Company has complied with the Code of Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") since the listing of its shares on the Main Board of the Stock Exchange on 23 June 2006, except the deviation disclosed in the following paragraph:

- Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer ("CEO") be separate and not be performed by the same individual. The Company did not have any officer holding the position of CEO. During the year of 2006, Mr. Yeung Hoi Shan was the chairman of the Company and carried out the responsibilities of CEO. Mr. Yeung has the essential leadership skills to manage the Board and extensive knowledge to operate the business of the Group. The Board has considered such structure to be suitable for the Company because it promoted efficient formulation and implementation of company strategies.

Nevertheless, the Board has seriously considered separating the roles of the chairman and the chief executive officer of the Board and such roles have been clearly segregated by appointing Mr. Wong Wing Choi, an executive director, to be the Company's CEO with effect from 2 January 2007 while Mr. Yeung Hoi Shan continues to be the chairman of the Company.

## DIRECTORS

### The Board

The Board has the collective responsibility for leadership and control of, and for promoting the success of, the Company by directing and supervising the Company's affairs. The Board sets strategies for the Company and monitors the performance of the management.

The Board held 2 meetings since the listing of its shares on the Main Board of the Stock Exchange on 23 June 2006. The attendance of each director is set out as follows:

Name of Director	Number of attendance
Mr. Yeung Hoi Shan	2/2
Mr. Wong Wing Choi	2/2
Madam Li Jinxia	2/2
Mr. Yeung Tai Hoi	2/2
Mr. Cheung Sui Wing, Darius	2/2
Ms. Ho Man Kay	2/2
Mr. Wong Siu Fai, Albert	2/2

**DIRECTORS** *(continued)***Board composition**

Since the listing of the Company's shares on the Main Board of the Stock Exchange on 23 June 2006 up to 31 December 2006, the Board consists of two executive directors, two non-executive directors and three independent non-executive directors:

*Executive directors*

Mr. Yeung Hoi Shan  
Mr. Wong Wing Choi

*Non-executive directors*

Madam Li Jinxia  
Mr. Yeung Tai Hoi

*Independent non-executive directors*

Mr. Cheung Sui Wing, Darius  
Ms. Ho Man Kay  
Mr. Wong Siu Fai, Albert

The Board has met the recommended best practice under the Code for the number of independent non-executive directors. One independent non-executive director possesses recognized professional qualifications in accounting. The independent non-executive directors bring independent judgment, knowledge and experience to the Board.

The Company has received, from each of the independent non-executive directors, confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent within the definition of the Listing Rules.

**Appointment, re-election and removal**

All non-executive directors of the Company are appointed for a specific term, subject to re-election.

**Responsibilities of directors**

The directors are continually updated with the regulatory requirements, business activities and development of the Group to facilitate the discharge of their responsibilities.

The independent non-executive directors participate actively in the board meetings. They bring an independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. They will lead where potential conflicts of interests arise in connected transaction. They are also members of Audit Committee and Remuneration Committee.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, all directors declared that they have complied with the Model Code throughout the year.

**DIRECTORS** *(continued)***Supply of and access to information**

In respect of regular board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting.

The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each director has separate and independent access to the Group's senior management to acquire more information than is volunteered by management and to make further enquiries if necessary.

**REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT****The level and make-up of remuneration and disclosure**

A Remuneration Committee was established by the Company in June 2006 since the listing of its shares on the Main Board of the Stock Exchange. The Remuneration Committee comprises the three independent non-executive directors and an executive director of the Company. Mr. Yeung Hoi Shan is the chairman of the Remuneration Committee.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management. The full terms of reference are available on the Company's website: [www.tatchun.com](http://www.tatchun.com).

Since the listing of the Company on the Main Board of the Stock Exchange on 23 June 2006 up to 31 December 2006, the Remuneration Committee held one meeting. The attendance of each member is set out as follows:

<b>Name of Member</b>	<b>Number of attendance</b>
Mr. Yeung Hoi Shan	1/1
Mr. Cheung Sui Wing, Darius	1/1
Ms. Ho Man Kay	1/1
Mr. Wong Siu Fai, Albert	1/1

The chairman of the Remuneration Committee will report the findings and recommendations of the Remuneration Committee to the Board after each meeting. The minutes of all meetings of Remuneration Committee are circulated to the Board for information.

For the financial year ended 31 December 2006, the Remuneration Committee has considered and approved the Group's policy for the remuneration of directors and senior management. The Remuneration Committee has assessed the performance of the executive directors and considered the remuneration package of executive directors by reference to the prevailing packages with companies listed on the Main Board of the Stock Exchange. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 10 to the financial statements.

The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

### **The level and make-up of remuneration and disclosure** *(continued)*

In order to attract, retain and motivate talented executives/employees to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the executives/employees, a share option scheme was adopted by the Company. The Company conditionally adopted a share option scheme (the "Share option Scheme") on 5 June 2006 which became unconditional on 23 June 2006. The purposes of the Share Option Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants and advisors of the Group and to promote the success of the business of the Group. Eligible participants of the Share Option Scheme include any employee, director, consultant or advisor of the Group.

As at 31 December 2006, no option had been granted or agreed to be granted to any person under the Share Option Scheme.

## ACCOUNTABILITY AND AUDIT

### **Financial reporting**

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the financial statements on a going concern basis.

The responsibility of the external auditor, Messrs. Deloitte Touche Tohmatsu, is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of Company, as a body and for no other purpose.

The Company has announced its annual and interim results in a timely manner within approximately four months and three months respectively after the end of the relevant periods.

### **Internal controls**

The Board is responsible for the Group's internal control system and for reviewing its effectiveness. During the year ended 31 December 2006, the Board has introduced a special task force internally to review the effectiveness of the system. No material deficiencies have been identified so far. The Board considered the Group's internal control system effective and that there were no significant areas of concern.

## ACCOUNTABILITY AND AUDIT *(continued)*

### Audit Committee

An Audit Committee was established by the Company in June 2006 since the listing of its shares on the Main Board of the Stock Exchange. The Audit Committee comprises the three independent non-executive directors, one of whom possesses recognized professional qualifications in accounting and has wide experience in audit and accounting. Mr. Cheung Sui Wing, Darius is the chairman of the Audit Committee.

The primary function of the Audit Committee is to review and supervise the Group's financial reporting process and internal controls. The full terms of reference are available on the Company's website: [www.tatchun.com](http://www.tatchun.com).

Two Audit Committee meetings were held in 2006 during the period from the date of listing to 31 December 2006 to discuss the financial reporting and compliance procedures and review the internal control system with the external auditors. The attendance of each member is set out as follows:

Name of Member	Number of attendance
Mr. Cheung Sui Wing, Darius	2/2
Ms. Ho Man Kay	2/2
Mr. Wong Siu Fai, Albert	2/2

The Company's annual results for the year ended 31 December 2006 has been reviewed by the Audit Committee.

### Fee paid/payable to Group's auditors

For the financial year ended 31 December 2006, the fee paid/payable to the Group's auditors is set out as follows:

Services rendered	Fee paid/payable HK\$'000
Audit services	1,000
Non-audit services	
– Taxation services	696
– Interim review	280
– Reporting Accountants work on Properties Acquisition	380
– Reporting Accountants work in Initial Public Offer	788

## DELEGATION BY THE BOARD

### Management functions

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions.

The Board delegates the day-to-day operations to general managers and department heads who are responsible for different aspects of the operations of the Group.

## COMMUNICATION WITH SHAREHOLDERS

### Effective communication

The annual general meeting enables the shareholders of the Company to exchange views with the Board. The chairman of the Board and the chairmen of Audit Committee and Remuneration Committee will attend the annual general meeting to be available to answer the questions of the shareholders of the Company.

Separate resolutions will be proposed at the forthcoming 2007 annual general meeting on each substantially separate issue, including the re-election of the retiring directors.

### Voting by poll

The right to demand a poll was set out in the circular to shareholders of the Company dispatched together with the Annual Report.