MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

(a) Overview

For the year ended 31 December 2005, the Group achieved a turnover of approximately HK$4,177 million (2004: HK$3,817 million), which represented an increase of 9%. Cost of sales amounted to approximately HK$1,792 million (2004: HK$1,842 million), which represented a decrease of 3%. Gross profit for the year amounted to HK$2,385 million (2004: HK$1,975 million), which represented a gross profit percentage of 57% (2004: 52%).

Included in cost of sales was the cost of programmes, film rights, movies and stocks which amounted to approximately HK$1,148 million (2004: HK$1,311 million), representing a decrease of 12%.

Selling, distribution and transmission costs amounted to approximately HK$452 million, having been maintained at a similar level as last year (2004: HK$450 million). General and administrative expenses amounted to approximately HK$491 million (2004: HK$513 million), which represented a decrease of 4%.

Finance costs for the year amounted to HK$1 million (2004: HK$7 million), a decrease of 86%. The reduction was due to the repayment of bank loans during the year.

The Group's share of the losses of an associate, GSTV, increased from HK$166 million to HK$187 million for the year. This was attributable to the increase in advertising and promotion costs of its subsidiary, Galaxy Satellite Broadcasting Limited ("GSB"), for its pay TV channels.

The gain on disposal of financial assets at fair value through profit or loss of HK$149 million was related to disposal of the 51% equity interest in GSTV to See Corporation Limited (previously Ruili Holdings Limited) and Dr. Charles Chan Kwok Keung, as announced in April 2005.

The Group's taxation charge amounted to HK$232 million (2004: HK$152 million), which represented an increase of 53%. The increase in the taxation charge was due to the increase in the provision for Hong Kong profits tax of HK$99 million as a result of the increase in net profit generated in Hong Kong during the year, and a provision for deferred income tax of HK$29 million on the undistributed profits of Liann Yee Production Co. Ltd. ("LYP") in Taiwan.

The profit attributable to shareholders amounted to HK$1,180 million (2004: HK$719 million), which represented an increase of 64%. Earnings per share was HK$2.69 (2004: HK$1.64).

(b) Comments on Segment Information

Revenue from terrestrial television broadcasting which comprised predominantly local advertising revenue, increased from HK$2,007 million to HK$2,236 million. As further disclosed in Note 4 to the consolidated financial statements on pages 53 and 55 of the Annual Report, certain reclassification of revenues took place in 2005. The revenue for 2004, if stated on a similar basis, would have been HK$2,145 million.

The cost of programmes, which comprised cost of self-produced TV programmes and acquired film rights, were kept under tight budgetary control. Through the use of a different programme mix, primarily on Jade during prime time, which took into account audience taste and market trends, the cost of programmes was lower than last year. The absence of the coverage of special overseas events such as the 2004 Olympic Games in Athens also resulted in lower costs in 2005. As a result, this segment contributed an operating profit of HK$859 million (2004: HK$519 million), an increase of 66% over last year.

Revenue from programme licensing and distribution increased from HK$679 million to HK$693 million, which represented an increase of 2%. Our cost of distribution was kept in line with the growth of the business. As noted in the "Business Review and Prospects" section, Malaysia and Singapore remain the two most important markets for telecast licensing business. This segment contributed an operating profit of HK$391 million (2004: HK$375 million), an increase of 4% over last year.

Revenue from overseas satellite pay TV operations, which comprised TVB Satellite Platform ("TVBSP") USA, TVB Australia ("TVBA") and The Chinese Channel ("TCC") Europe, showed an increase from HK$214 million to HK$247 million, which represented an increase of 15%. This segment turned profitable in 2005 and contributed an operating profit of HK$29 million (2004: an operating loss of HK$7 million).

Revenue from channel operations, which comprised the Taiwanese channel, TVBS, operating under LYP, the two channels – TVB8 and Xing He, and the supply of six channels to GSB, the pay TV platform in Hong Kong, showed an increase of 8% from HK$922 million to HK$998 million. Improvement in revenues from LYP, TVB8 and Xing He were noted due to the increase in advertising and subscription revenue. This segment contributed an operating profit of HK$194 million (2004: HK$171 million), an increase of 13% over last year.

(c) Business Review and Prospects

Terrestrial Television Broadcasting

Our advertising income growth in 2004 continued into the first quarter of 2005. However, as expected, the cycle of double-digit growth experienced since the end of SARS came to an end, and growth was less pronounced for the remaining three quarters of the year.

In an attempt to meet advertisers' needs for value and impact, considerable effort was put into developing innovative "products". Two products which were the focus of our efforts have performed well. One of these is the short duration fixed-schedule "info-service" spot.

Info-service sales have grown by more than 10% and we are putting greater efforts in increasing the supply and effectiveness of this advertising format.

The second area of focus in product selling is product sponsorships (sometimes referred to as product placements). Revenue from product sponsorship in our weekday prime time dramas has increased by more than 40% in 2005.

Another promising area delivering value and innovation to clients is that of offering added value to our advertisers by means of extending their sponsorship activities with TVB into other media such as the Internet, mobile phones and outdoor video, or by extending their reach to the Mainland China market. We have begun our efforts in this area and so far the results are encouraging.

Four categories of advertisers were important in contributing to our growth in 2005. They were local property developers, broadband service providers, amusement parks and skin care products. The growth in these four categories exceeded 50%.

However, it is not prudent to rely on continued growth in these categories. Concerted new client/new category development, along with the above-mentioned product developments will be key areas of effort to deliver growth for 2006.

The prospects for growth in 2006 are reasonable given the overall economic confidence among both consumers and advertisers, and our advance commitments are conducive to delivering growth.

TVB Jade and Pearl remained the preferred terrestrial channels in Hong Kong. Jade achieved an average weekday prime time audience share* of 83% among terrestrial Chinese channels and Pearl, an average audience share* of 75% among terrestrial English channels during the year.

** Prime time audience share refers to average share from 7:00 p.m. to 11:00 p.m. on Jade, and 7:00 p.m. to midnight on Pearl.*

The Jade Channel

During the year, Jade successfully developed and produced a number of new programme formats. "Justice for All", which was produced with the support of the Law Society of Hong Kong, made legal information easier to understand and relevant to the general public. It gained critical and international recognition as well as attracting an average of close to 1.6 million viewers per episode. "Minutes to Fame" which provided an opportunity for the general public to showcase their talents, was the most talked about programme in town. The two series attracted an average of close to 1.9 million viewers. Its grand finale "Minutes to Fame : World Champion" attracted over 2.2 million viewers. Jade also organised the first "Mr. Hong Kong Contest" during the year which captured 1.5 million viewers.

Other variety and infotainment programmes were also successful. "TVB 38th Anniversary Special" was watched by 2.3 million viewers; "Miss Hong Kong Pageant 2005", by over 1.9 million viewers; and "All Singers for TVB Anniversary Special 2005", by 1.8 million viewers. The year saw the conclusion of the popular entertainment series "The Super Trio Continues...", drawing an average of 2.2 million viewers.

Jade continued to excel in its drama productions. The comedies "War of In-Laws" and "Life made simple", and the drama on police cadets "The Academy" attracted around 2.2 million viewers per episode.

Among acquired programmes, "Jewel in the Palace" was the best-performed series in terms of viewership, drawing an average of 2.9 million viewers.

For news and public affairs programmes, TVB provided live and updated news coverage of protests during the World Trade Organisation conference in Hong Kong in December 2005.

The Pearl Channel

The year 2005 was one of remarkable achievement for Pearl – the top 100 most popular programmes, mostly blockbuster movies, on English terrestrial channels in Hong Kong were all programmes on Pearl. The top rating programme of the year "Harry Potter and the Sorcerer's Stone" attracted an average of 743,000 viewers. Top movies of the year included "Titanic", the "Star Wars" series, "The Lord of the Rings: the Fellowship of the Ring", "The Lord of the Rings: the Two Towers" and "The Mummy Returns".

Pearl successfully cultivated viewers' interest in quality foreign drama series. "Lost" became the top drama series of the year with an average of 254,000 viewers. Its first episode attracted 687,000 viewers. During the year, Pearl also introduced "Desperate Housewives" and "Nip/Tuck" to the local audience.

Pearl also showcased a variety of sports programmes. Selected matches of the "Real Madrid Asian Tour 2005" attracted over 200,000 viewers. The soccer event - Barcelona vs Shenzhen Jianlibao was watched by close to 210,000 viewers. Other sports events on Pearl included selective matches and coverage of the 4th East Asian Games Men's Soccer Matches; 2005 Wimbledon Championships; and the Dutch Soccer League.

Commendations and Awards

TVB's creative and production excellence in infotainment, drama, variety and public affairs programmes and on-air promotion continued to gain international recognition in 2005.

At the Asian Television Awards 2005, the finale for "Justice for All" won the Best Infotainment Programme Award and was also highly commended in the Best Game or Quiz Programme Category. Also highly commended were "Minutes to Fame" in the Best Entertainment Programme category and "War and Beauty" in the Best Drama Series category. At the Asia-Pacific Children & Youth TV Festival, "Sunshine Heartbeat" was a finalist.

"Sunday Report: Big Head Babies" produced by TVB's News and Public Affairs team gained recognition in different international awards: Certificate of Recognition at the ABU/CASBAA UNICEF Child Rights Award 2005; finalist in the New York Festivals 2005 in the Health/Medical Information category and Diplome de Nomination, 45th Festival de Television de Monte Carlo, in News Documentary.

TVB's on-air promos won the Gold Prize with "The 10th China National Games Image" promo at PROMAX Asia 2005 in the Best Sports Campaign category and PROMAX China 2005, in Best Sports Promo. "The Dragon Boat Festival Image" promo won the Gold Prize in Best Holiday/Seasonal Promo in PROMAX Asia 2005, and "War of In-Laws" promo, the Best Drama Promo, PROMAX China 2005. The "Pearl Reality Image" promo won the Silver Prize of Interstitial/ Promotainment – Block category at PROMAX World Gold Awards.

Community and Public Service

The devastating Tsunami in South Asia on 26 December 2004 took away thousands of lives and turned tens of thousands homeless. TVB lost no time in reacting positively to the disaster by taking action promptly. Within 56 hours, TVB produced and broadcasted two charity fund-raising programmes in aid of five charitable organizations: Hong Kong Red Cross, Oxfam Hong Kong, Salvation Army, UNICEF and World Vision Hong Kong. The two special programmes "Operation Relief 2005" broadcasted on 1 and 2 January 2005 raised HK$33 million and HK$85 million respectively. The latter was also telecast to overseas cities in Malaysia, Singapore, Australia, USA and Canada to appeal to overseas Chinese for support. Jade also aired a seven-hour live programme "Crossing Borders Fund Raising Show" which successfully raised HK$35 million towards Tsunami relief.

The total sum raised in 2005 by TVB in aid of diverse worthy causes amounted to HK$327 million. Other noteworthy charity appeals/shows included the "Tung Wah Charity Show 2005" which raised a record-breaking HK$82 million; "Support The China AIDS Initiative TV Gala 2005", HK$32 million towards the Hong Kong AIDS Foundation; the "Yan Chai Charity Show 2005", HK$24 million for Yan Chai Hospital.

Programme Licensing and Distribution

During the year, our video distribution business remained seriously affected by piracy and illegal Internet downloading. The launch of video-on-demand service via broadband and digital cable TV platforms in Mainland China in the last quarter of 2005 has given rise to a new revenue stream. This type of video delivery format is forecast to grow, albeit partially at the expense of traditional video rental and sell-through business. In order to capture this trend, we are exploring video-on-demand services in other international markets. New streams of revenue will also be established through delivery of content to mobile phones and portable media players.

Our telecast licensing business achieved single-digit growth in 2005. Malaysia and Singapore remain the two most important markets. The merger of the two Singapore free television stations will affect our business but the shortfall should be offset by our increased sales efforts in other markets. In Mainland China, the telecast market has become competitive especially with the increased popularity of Korean dramas. We are maintaining our market share there. The licensing revenue from Mainland China has increased with license fees from television stations in the Pearl River region carrying our channels. The recent popularity of the period drama series, "War and Beauty", broadcasted by Hunan TV which received record high ratings in Mainland China will help to enhance our licensing business and market share there.

Overseas Satellite Pay TV Operations

(a) TVB Satellite Platform ("TVBSP") USA

In the United States, the number of subscribers to our five-channel Jadeworld package, which is being carried by DirecTV, grew at a high single-digit rate.

As part of a continuous process to enhance the platforms' competitiveness, TVBSP will launch a Vietnamese language dubbed TVB content channel targeting the Vietnamese speaking Chinese and other ethnic groups at the end of the first quarter of 2006, and is developing a new Mandarin language channel to cater for the increasing immigrants from Mainland China.

(b) TVB Australia ("TVBA")

In Australia, the number of subscribers to our Jadeworld platform achieved double-digit growth.

With aggressive and innovative promotion packages, Jadeworld has established a reputation as a high quality content provider and an effective advertising medium. We saw strong growth of advertising revenue in 2005.

(c) The Chinese Channel ("TCC") Europe

Despite stagnant subscriber growth, TCC had turned around and generated profit. Its performance improved two fold when compared to 2004.

To cope with the rapidly growing Mandarin speaking Chinese population in continental Europe, TCC is planning to launch a Mandarin language general entertainment channel to strengthen the appeal of its existing Cantonese channel.

Channel Operations

(a) TVBS - Taiwan

2005 was a challenging year for TVBS in Taiwan. The local economy recorded a lacklustre GDP growth of 2.8%. TVBS' turnover and operating profit were maintained at the 2004 level. Due to the payment of dividend withholding tax, net profit attributable to the Group was affected. However, TVBS channel ratings are amongst the highest in Taiwan and its self-produced programmes also achieved high ratings individually (notably "2100 Pop Blog", "News Nightclub" and "Lady First").

Shortly after granting TVBS its renewed license in August 2005, the Government Information Office ("GIO") in Taiwan (which regulates satellite and cable television operations) issued a regulatory demand alleging that TVBS' shareholding was not in compliance with the local law. It also demanded TVBS to rectify its shareholding structure and imposed a fine of NT$1,000,000. Under legal advice which opined that TVBS' shareholding structure is lawful, TVBS appealed against this administrative ruling in December 2005 and the hearing of the appeal is still pending. Operation of all TVBS channels remained normal, despite such action.

Since February 2006, a newly formed independent administrative body, the National Communications Commission has taken over the regulatory role of the telecommunication and television industries from the GIO. We look forward to working closely with the Commission.

We believe that TVBS' strong positive brand image positions us strategically and advantageously in the middle of this dynamic arena. Following the successes of 2004 and 2005, we are confident to see a continuously profitable operation in the Taiwan market in 2006.

(b) TVB8 & Xing He

The performance of both Xing He and TVB8 continued to progress well during the year. Xing He has contributed a gross profit to the operation, whereas TVB8 has substantially narrowed the losses.

Subscription income of both Xing He and TVB8 had increased moderately in Malaysia but advertising sales and commission income from ASTRO All Asia Networks plc. had recorded a double-digit growth. The growth was mainly attributed to the high rating performance of Xing He Channel in Malaysia. During 2005, Xing He Channel was launched in Vietnam and Thailand and is distributed through satellite.

(c) Supply of Channels to GSTV

The Group continued to supply TV programmes in Cantonese to GSB, the wholly-owned subsidiary of GSTV, during the year under a channels supply agreement dated 4 September 2001. The six channels comprised 24-hour news channel *TVBN*, TVB's classic drama channel *TVB Classic*, interactive consultation and health advices channel *TVB Health*, music channel *TVBM*, children's channel *TVB Kids*, and acquired Asian region and overseas soap operas channel *TVB Drama*. By way of an agreement dated 29 June 2005, an amended channels supply agreement was entered into between GSB and TVB whereby certain amendments were agreed including changing the supply of the above six channels from an exclusive basis to a non-exclusive basis.

The Group also entered into a separate channels supply agreement dated 22 June 2005 for the supply of two Taiwanese channels, TVBS-News and TVBS-Asia to GSB.

Other Businesses

(a) Internet Operations

All areas of our Internet operations showed good growth. Most noteworthy is the growth in 3G mobile content sales. TVB's reputable 24 hour news and unique entertainment content continue to be regarded as essential content for 3G mobile phone users. As such, sales of content to 3G devices has grown by 97%.

In the area of broadband content to PCs, the provision of drama series proved to be successful. This has helped grow the number of new subscribers to the service and our income from broadband content sales has increased by 15%.

Portal tvb.com tried to attract large number of visitors while providing healthy and wholesome content for all age groups. Thus, we are pleased that our website was the only commercial website among the eleven winners of the "2005 Meritorious Websites Contest" jointly organised by Young Women Christian Association and Television and Entertainment Licensing Authority. Advertising revenue on tvb.com grew by 8%.

(b) Magazine Publishing

The price of TVB Weekly magazine was increased from HK$10 to HK$12 per issue in September 2005. This was an attempt to reduce the impact of substantially increased printing cost. The move was successful as the increased revenue per copy more than offset the slight decrease in circulation experienced as a result of the price increase.

Advertising sales were back on track in the second half of the year as a result of our success in fully staffing and re-organising the sales department. Though the full year advertising revenue was down by 13%, the strong performance in the second half of the year gave us confidence to deliver growth in 2006.

Net profit recorded a 2% growth despite the drop in advertising revenue, due to savings in staff and promotional expenses.

(c) Movie Investment

The movie "Perhaps Love", in which the Group had invested, starring Takeshi Kaneshiro, Zhou Xun, Jacky Cheung and Ji Jin-hee, opened in December 2005. The movie paid off both at the box office and in critical acclaim. Hong Kong box office receipts were a respectable HK$14 million. A small profit was recorded for 2005. In addition, the movie received various nominations in the Hong Kong Film Awards and was selected as the official closing film of the 62nd Venice International Film Festival.

(d) Investment in GSTV

TVB, as a licensee of a free domestic programme service license, is not allowed to own more than 50% of any domestic pay TV operator. The Government had granted a waiver to TVB in December 2004 to take up the shares from Intelsat Hong Kong, LLC ("Intelsat") when Intelsat left the pay TV venture, so as to provide time to identify and conclude a share placement with a majority shareholder. During the year, TVB secured two investors to take up the 51% equity interest in GSTV. In April 2005, See Corporation Limited and Dr. Charles Chan Kwok Keung, acquired 520,747,500 and 21,255,000 shares respectively, representing approximately 49% and 2% equity interest in GSTV. TVB continued to retain a 49% equity interest in GSTV.

GSTV's wholly-owned subsidiary, GSB, operates a pay TV service which is distributed to homes in Hong Kong through satellite and, since July 2005, through broadband television distribution systems provided by Hutchison Global Communications Limited. It provides a basic pay TV package of over 40 channels to subscribers, which includes six channels produced by TVB. In February 2006, GSTV announced a co-operation agreement with PCCW Media Limited ("PCCW") whereby a number of its channels will also be carried by the broadband television distribution systems operated by PCCW or its affiliates, to homes in Hong Kong. This co-operation will increase the number of homespassed substantially.

During the year, the Group shared HK$187 million (2004: HK$166 million) of losses of GSTV which was due to increased advertising and promotion costs of its subsidiary, GSB, for its pay TV channels.

Digitalisation of Transmission Network

The Broadcasting Authority approved TVB's investment plans on digital terrestrial television ("DTT") programme services on 17 December 2005. TVB shall be making an additional investment totalling more than HK$400 million between 2006 and 2009 to provide a High Definition television ("HDTV") channel commencing before the end of 2007. The channel would include not fewer than 14 hours per week of "true" HDTV programmes (programmes originally produced in the HDTV format) to be carried on the Single Frequency Network multiplex assigned to TVB. Also before the end of 2007, in addition to the analogue broadcast of Jade and Pearl, TVB shall also provide a digital simulcast of Jade and Pearl programmes in Standard Definition TV format on the Multiple Frequency Network. Plans of building the DTT transmission network and upgrading field production, studio production and post-production facilities are being finalised. To ensure the smooth implementation of TVB's DTT plans, cooperation within the industry and with various Government departments have been pursued through TVB's active participation in Government-Industry working groups and discussions with the bureaux and departments concerned.

FINANCIAL REVIEW

(a) Important Events

(i) On 4 February 2005, Countless Entertainment (Taiwan) Co. Ltd., a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with Primasia Development Co. Ltd. for the purchase of the remaining 30% of the issued share capital in LYP not held by the Group for a cash consideration of NT$900 million (approximately HK$220.5 million). The transaction was approved by shareholders at an Extraordinary General Meeting held on 21 March 2005. As a result, the Group's interest in the shareholding in LYP increased from 70% to 100%.

(ii) On 21 April 2005, TVB Satellite TV Holdings Limited ("TVB Satellite"), a wholly-owned subsidiary of the Company, entered into a transaction with See Corporation Limited and Dr. Charles Chan Kwok Keung for the disposal of 49% and 2% equity interests in GSTV, to See Corporation Limited and Dr. Charles Chan Kwok Keung respectively for a total cash consideration of HK$350 million. Completion of the transaction was subject to, inter-alia, the settlement of unpaid capital contribution by the Group to GSTV of HK$377 million. Completion of the first closing of the transaction took place on 12 August 2005, and the second closing was completed on 28 February 2006.

Apart from those reported above, there was no other material acquisition or disposal of subsidiaries and associates during the year and up to the date of the report.

(b) Capital Assets, Investment, Liquidity and Debts

As at 31 December 2005, non-current assets of the Group stood at HK$2,522 million, a decrease from 31 December 2004 of HK$2,633 million. The net decrease was attributable to the recognition of goodwill on acquisition of the remaining 30% equity interest in LYP, offset by the decrease in the net book value of property, plant and equipment, the shared losses of associates and jointly controlled entities.

Cash and bank balances as at 31 December 2005 amounted to HK$980 million, an increase of 83% over last year end (2004: HK$536 million). About 19% of the cash balance was maintained in overseas subsidiaries for their daily operation. Cash and cash equivalents held by the Group were principally in Hong Kong Dollars, US Dollars and New Taiwan Dollars.

Trade and other receivables, prepayments and deposits increased from HK$1,007 million to HK$1,354 million which represented a 34% increase from the position at the end of last year, reflecting a higher level of billing to customers. Specific provision had been made, where appropriate, to cover any potential bad and doubtful debts.

Trade and other payables and accruals decreased from HK$728 million to HK$643 million which represented a 12% decrease from the position at the end of last year. This was attributable to the reduction in the amount payable for a financial asset (51% of GSTV) as a portion of the unpaid share capital amounting to HK$133 million together with the subscription of new shares of HK$11 million was paid up in 2005.

All the loans and borrowings were fully repaid in 2005 and there was no borrowing as at 31 December 2005. The gearing ratio as of 31 December 2004 was 2% which was measured by the ratio of total debts of HK$61 million against a shareholders' fund of HK$3,671 million.

As at 31 December 2005, capital commitments of the Group amounted to HK$183 million (2004: HK$199 million) which represented a decrease of 8%.

(c) Contingent Liabilities

There were guarantees to the extent of HK$8.7 million (2004: HK$8.8 million) provided to bankers for banking facilities granted to an investee company.

In March 2005, the Group received additional profits tax assessment notices from the Inland Revenue Department of Hong Kong ("IRD") for the year of assessment 1998/99 for profits generated by the Group's programme licensing and distribution business carried out overseas. The total amount of the additional assessments of profits tax was HK$98,277,000. The Group had been granted a holdover of these additional assessments.

Subsequently, in February 2006, the Group received additional profits tax assessment notices from IRD in respect of the year of assessment 1999/2000 for profits generated by the Group's programme licensing and distribution business carried out overseas. The total amount of the additional assessments of profits tax was HK$98,576,000.

The Group has objected to these additional assessments. The Group believes that the objection is well-founded, and is determined to defend the Group's position vigorously. On this basis, the Group is of the view that no additional tax provision is necessary.

(d) Exposure to Fluctuations in Exchange Rates and Related Hedges

As at 31 December 2005, there was no exchange contract entered into by the Group with financial institutions to sell forward foreign currencies in order to hedge against fluctuation for trade receipts from overseas customers (2004: HK$5.8 million). Consequently, there were no unrealised gains or losses arising from such forward contracts (2004: unrealised loss of HK$0.5 million).

HUMAN RESOURCES

As of 31 December 2005, the Group employed, excluding Directors and freelance workers but including contract artistes and staff in overseas subsidiary companies, a total of 4,519 (2004: 4,843) full-time employees.

About 26% of our manpower was employed in overseas subsidiaries and was paid on a scale and system relevant to their localities and local legislations. For local employment, different pay schemes are operated for contract artistes, sales and non-sales employees. Contract artistes are paid either on a per-show basis or by a package of shows. Sales personnel are remunerated based on commission schemes. Non-sales personnel are remunerated on a monthly salary. Discretionary bonuses may be awarded as an incentive for better performance. Qualified personnel received a discretionary bonus equivalent to a sixteenth of their annual basic salaries in 2005.

No employee share option scheme was adopted by the Group during the year.

From time to time, the Group organises, either in-house or with vocational institutions, seminars, courses and workshops on subjects of technical interest, such as industrial safety, management skills and other related studies, apart from sponsorship of training programmes that employees may enrol on their own initiatives.