

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The subsidiaries, jointly controlled entities and associates of the Company are principally engaged in the trading of agricultural products, feedmill and poultry operations, the manufacturing and sale of motorcycles and accessories for automobiles and property and investment holding. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31st December, 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 44 to 139.

The directors do not recommend the payment of any dividend in respect of the year (2004: Nil).

SUMMARY FINANCIAL INFORMATION

The consolidated assets, liabilities and minority interests, and results of the Group for the five years ended 31st December, 2005, as extracted from the published audited financial statements, are as follows:

	2005 US\$'000	2004 US\$'000	2003 US\$'000	2002 US\$'000	2001 US\$'000
Total assets	925,370	897,058	1,020,778	1,109,076	1,081,488
Total liabilities	774,141	794,238	871,381	875,980	933,287
Minority interests	55,106	51,672	49,023	81,497	79,581
Shareholders' equity	96,123	51,148	100,374	151,599	68,620
	925,370	897,058	1,020,778	1,109,076	1,081,488
Profit/(loss) for the year from ordinary activities attributable to equity holders of the Company	4,825	(62,386)	(62,758)	92,602	(10,298)

The above summary does not form part of the audited financial statements.



REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 18 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the Group's investment properties are set out in note 19 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share options are set out in note 35 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36 to the financial statements and in the summary statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

During the year, the credit of approximately US\$86,339,000 arising from the capital reduction was applied to the contributed surplus of the Company, where, together with the contributed surplus brought forward from prior years of US\$6,093,000, was utilised by the directors in accordance with the bye-laws of the Company and all applicable laws, to eliminate the accumulated losses of the Company.

In addition, the Company's share premium account in the amount of US\$73,897,000 (2004: US\$51,210,000) may be distributed in the form of fully paid bonus shares.

DONATIONS

During the year, the Group made contributions for charitable and other purposes totalling US\$1,334,000 (2004: US\$233,000).

MAJOR CUSTOMERS AND SUPPLIERS

The turnover and purchases attributable to the five largest customers and suppliers accounted for less than 30% of the total Group's turnover and purchases for the year, respectively. Shanghai Lotus Supermarket Chain Store Co., Ltd., ("Shanghai Lotus") is a subsidiary of C.P. Seven Eleven Public Company Limited ("CP Seven Eleven") which is an associate of the controlling shareholders of the Company, and therefore a connected person of the Company as defined under Rule 14A.11 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited ("Stock Exchange"), is one of the five largest customers of the Group referred to above.

Saved as disclosed above, none of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.



REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Sumet Jiaravanon	
Mr. Dhanin Chearavanont	
Mr. Thanakorn Seriburi	
Mr. Meth Jiaravanont	(appointed on 13th September, 2005)
Mr. Anan Athigapanich	(appointed on 13th September, 2005)
Mr. Damrongdej Chalongphuntarat	(appointed on 13th September, 2005)
Mr. Robert Ping-Hsien Ho	(appointed on 13th September, 2005)
Mr. Bai Shanlin	(appointed on 13th September, 2005)
Mr. Soopakij Chearavanont	(appointed on 13th September, 2005)
Mr. Nopadol Chiaravanont	(appointed on 13th September, 2005)
Mr. Benjamin Jiaravanon	(appointed on 13th September, 2005)
Mr. Narong Chearavanont	(appointed on 13th September, 2005)
Mr. Jaran Chiaravanont	(resigned on 13th September, 2005)
Mr. Montri Jiaravanont	(resigned on 13th September, 2005)
Mr. Prasert Poongkumarn	(resigned on 13th September, 2005)
Mr. Min Tieworn	(resigned on 13th September, 2005)
Mr. Thirayut Phitya-Isarakul	(resigned on 13th September, 2005)
Mr. Veeravat Kanchanadul	(resigned on 13th September, 2005)

Independent non-executive directors:

Mr. Kowit Wattana	(appointed on 7th June, 2005)
Mr. Sombat Deo-isres	(appointed on 30th September, 2005)
Mr. Ma Chiu Cheung, Andrew	(appointed on 30th September, 2005)
Mr. Chidchai Vanasatidya	(resigned on 8th March, 2005)
Mr. Budiman Elkana	(resigned on 30th September, 2005)
Mr. Cheung Koon Yuet, Peter	(resigned on 30th September, 2005)

In accordance with the Company's bye-law 77, Messrs. Meth Jiaravanont, Anan Athigapanich, Damrongdej Chalongphuntarat, Robert Ping-Hsien Ho, Bai Shanlin, Soopakij Chearavanont, Nopadol Chiaravanont, Benjamin Jiaravanon, Narong Chearavanont, Kowit Wattana, Sombat Deo-isres and Ma Chiu Cheung, Andrew who were appointed by the board in June and September 2005, will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting ("AGM").

In accordance with the Company's bye-law 82, Messrs. Sumet Jiaravanon and Dhanin Chearavanont, will retire and, being eligible, will offer themselves for re-election at the forthcoming AGM.



REPORT OF THE DIRECTORS

DIRECTORS (continued)

The independent non-executive directors of the Company are appointed for a term of one year and are subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Company's bye-laws.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 and that the Company consider such directors to have remained independent.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATIONS

Details of the directors' remunerations are set out in note 12 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Details of the directors' interests in contracts are set out in note 42 to the financial statements.

Except as disclosed in note 42, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 31st December, 2005, the interests and short positions of the directors and chief executive in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) and were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

(i) *Long positions in shares of the Company:*

Name of director/ chief executive	Number of shares held, capacity and nature of interest				Total number of shares	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust		
Mr. Sumet Jiaravanon	1,004,014,695	-	-	-	1,004,014,695	34.74



REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

(ii) *Directors' interests in share options granted by the Company:*

Pursuant to the old share option scheme (the "Old Scheme") adopted on 10th April, 1992 which expired on 10th April, 2002 and the existing share option scheme (the "Existing Scheme") adopted by the Company on 26th November, 2002, certain directors were granted share options. As at 31st December, 2005, the interests of the directors of the Company in options to subscribe for shares in the capital of the Company under the Old Scheme and the Existing Scheme were as follows:

The directors have estimated the values of the share options granted during the year, calculated using the Black-Scholes Option Pricing Model as at the date of grant of the options:

Name of director	Date of grant	Number of share issuable upon exercise of options held as at 31st December, 2005	Price per share to be paid on exercise of options HK\$	Theoretical value of share options HK\$	Approximate percentage of shareholding %
Mr. Sumet Jiaravanon	26th February, 2003	12,800,000	0.3900	4,992,000	0.4429
	3rd May, 2004	12,800,000	0.3900	4,992,000	0.4429
	19th May, 2005	12,000,000	0.3540	4,248,000	0.4153
Mr. Dhanin Chearavanont	26th February, 2003	12,800,000	0.3900	4,992,000	0.4429
	3rd May, 2004	12,800,000	0.3900	4,992,000	0.4429
	19th May, 2005	12,000,000	0.3540	4,248,000	0.4153
Mr. Thanakorn Seriburi	10th August, 1998	17,500,000	0.3875	6,781,250	0.6056
	26th February, 2003	21,584,807	0.3900	8,418,075	0.7469
	3rd May, 2004	20,000,000	0.3900	7,800,000	0.6921
	19th May, 2005	21,000,000	0.3540	7,434,000	0.7267
Mr. Meth Jiaravanont	19th May, 2005	21,000,000	0.3540	7,434,000	0.7267
Mr. Robert Ping- Hsien Ho	26th February, 2003	21,584,807	0.3900	8,418,075	0.7469
	3rd May, 2004	20,000,000	0.3900	7,800,000	0.6921
	19th May, 2005	21,000,000	0.3540	7,434,000	0.7267



REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

(ii) *Directors' interests in share options granted by the Company: (continued)*

The Black-Scholes Option Pricing Model is a generally accepted method of valuing options, taking into account the terms and conditions upon which the options were granted. The significant assumptions used in the calculation of the values of the share options were value of option, current price of stock, exercise price of option, length of time to expiration of option and short term risk-free interest rate. The measurement dates used in the valuation calculations were the dates on which the options were granted.

The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

Save as disclosed above, as at 31st December, 2005, none of the directors and chief executive of the Company had any interest or short position in shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he is taken or deemed to have under such provisions of the SFO), recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At the balance sheet date, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Notes	Capacity and nature of interest	Number of shares held (Note 1)	Percentage of the Company's issued share capital %
Krung Thai Bank Public Company Limited	(2)	Person having a security interest in shares	1,004,014,695 (L)	34.74
CPI Holding Co., Ltd.	(3)	Beneficial owner	1,004,014,695 (L and S)	34.74
C.P. Intertrade Co., Ltd.	(3)	Interest of a controlled corporation	1,004,014,695 (L and S)	34.74
Worth Access Trading Limited	(4)	Beneficial owner	1,059,190,000 (L)	30.54
Charoen Pokphand Holding Company Limited	(4)	Interest of a controlled corporation	1,059,190,000 (L)	30.54
Charoen Pokphand Group Company Limited	(4)	Interest of a controlled corporation	1,059,190,000 (L)	30.54
Mr. Marc Lasry	(5)	Interest of controlled corporations	147,426,000 (L)	5.10
Ms. Cathy Cohen	(5)	Interest of spouse	147,426,000 (L)	5.10
Avenue Asia Capital Management Genpar LLC	(5)	Interest of controlled corporations	147,426,000 (L)	5.10
Avenue Asia Capital Management, L.P.	(5)	Interest of controlled corporations	147,426,000 (L)	5.10



REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Notes:

- (1) The letter "L" denotes a long position whilst the letter "S" denotes a short position.
- (2) 1,004,014,695 shares were held by Krung Thai Bank Public Company Limited as security.
- (3) CPI Holding Co., Ltd. beneficially owned 1,004,014,695 shares. It also has a short position in 1,004,014,695 shares. C.P. Intertrade Co., Ltd. has declared an interest in these shares by virtue of its shareholding in CPI Holding Co., Ltd.
- (4) Worth Access Trading Limited has a long position in 1,059,190,000 shares (including 481,250,000 shares and the subscription rights of 577,940,000 shares attached to the warrants). Charoen Pokphand Holding Company Limited has declared an interest in these same 1,059,190,000 shares by virtue of its shareholding in Worth Access Trading Limited whilst Charoen Pokphand Group Company Limited also declared an interest in such number of shares by virtue of its shareholding in Charoen Pokphand Holding Company Limited.
- (5) Avenue Asia Capital Management, L.P. beneficially owned 147,426,000 shares. Avenue Asia Capital Management Genpar LLC has declared an interest in these shares by virtue of its shareholding in Avenue Asia Capital Management, L.P.. Mr. Marc Lasry has declared an interest in these shares by virtue of its shareholding in Avenue Asia Capital Management Genpar LLC. Ms. Cathy Cohen being the spouse of Mr. Marc Lasry is deemed to be interested in Mr. Marc Lasry's interests.

Save as disclosed above, so far as is known to the directors, as at 31st December, 2005, no person (not being a director or chief executive of the Company) had an interest or a short position in shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONNECTED TRANSACTION

During the year, the Group entered into the following transaction and arrangement with connected person (as defined in the Listing Rules) of the Company:

Disposal of certain equity interests in Dong Fang Chia Tai Seed Co. Ltd.

On 21st June, 2005, Chia Tai (China) Agro-Industrial Ltd. ("CT Agro"), a wholly-owned subsidiary of the Company, entered into an equity transfer contract whereby CT Agro disposed of its whole 50% equity interest in Dong Fang Chia Tai Seed Co. Ltd. at a consideration of US\$593,000 to Chia Tai Biotech Company Limited, an associate of Mr. Sumet Jiaravanon and a connected person of the Company within the meaning of the Listing Rules. Accordingly, the disposal constituted a connected transaction for the Company. As the applicable percentage ratios of the disposal were below 2.5%, the transaction was subject to the reporting and announcement requirements and was exempted from the independent shareholders' approval under Chapter 14A of the Listing Rules. The relevant details are set out in the Company's announcement dated 21st June, 2005.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Master Supply Agreements with the subsidiaries of Chia Tai Enterprises International Limited ("CTEI")

On 15th February, 2005, the Group entered into a number of master supply agreements with the CTEI Supermarket Subsidiaries, in respect of the supply of merchandise including edible oil, eggs, chicken and processed meat, duck and processed meat. CTEI and its subsidiaries are associates of the controlling shareholder of the Company and therefore are connected persons of the Company within the meaning of the Listing Rules. Accordingly, transactions under relevant master supply agreements constitute continuing connected transactions for the Company under the Listing Rules.

For the continuing connected

transactions contemplated under the CTEI continuing connected transaction agreements	2005 actual amount (HK\$'000)	2005 annual cap (HK\$'000)	2006 annual cap (HK\$'000)	2007 annual cap (HK\$'000)
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Ningbo Oil Edible Oil Supply (1) Agreement	2,371	8,000	8,800	9,680
Ningbo Oil Edible Oil Supply (2) Agreement	2,412	8,000	8,800	9,680
Qingdao Chia Tai Chicken and Processed Meat Supply (1) Agreement	2,804	8,000	8,800	9,680
Qingdao Chia Tai Chicken and Processed Meat Supply (3) Agreement	1,473	3,000	3,300	3,630
Xianghe Chia Tai Duck and Processed Meat Supply (1) Agreement	2,870	6,000	6,600	7,260
Shaanxi Chia Tai Eggs, Chicken and Processed Meat Supply (1) Agreement	1,990	4,000	4,400	4,840



REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS (continued)

Master Supply Agreements with Shanghai Lotus

On 15th February, 2005, the Group also entered into a master supply agreement with Shanghai Lotus for the supply of merchandise including edible oil, chicken and processed meat and duck and processed meat to Shanghai Lotus. Shanghai Lotus is a subsidiary of CP Seven Eleven, which is an associate of the controlling shareholders of the Company, and therefore a connected person of the Company within the meaning of the Listing Rules. Accordingly, transactions under the relevant master supply agreements constitute continuing connected transactions for the Company under the Listing Rules.

For the continuing connected

transactions contemplated under

the Shanghai Lotus continuing

connected transaction agreements

	2005 actual amount (HK\$'000)	2005 annual cap (HK\$'000)	2006 annual cap (HK\$'000)	2007 annual cap (HK\$'000)
Shanghai Lotus Edible Oil Purchase Agreement	128,952	180,000	198,000	217,800
Shanghai Lotus Chicken and Processed Meat Purchase (1) Agreement	73,746	140,000	154,000	169,400
Shanghai Lotus Chicken and Processed Meat Purchase (2) Agreement	36,836	50,000 [#]	55,000 [#]	60,500 [#]
Shanghai Lotus Duck and Processed Meat Purchase Agreement	1,333	3,500 [#]	3,850 [#]	4,235 [#]

[#] Cap amounts had been revised. Details are set out in the Company's announcement dated 5th October, 2005.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS (continued)

Pucheng Chia Tai Supply Agreement

On 5th October, 2005, Pucheng Chia Tai Biochemistry Co., Ltd., a subsidiary of the Company, entered into the Pucheng Chia Tai Supply Agreement with C.P. Intertrade Co., Ltd. (“CP Intertrade”). CP Intertrade, through its shareholding in CPI Holding Co., Ltd. (“CPI”), is a substantial shareholder of the Company, and therefore is a connected person of the Company within the meaning of the Listing Rules. Accordingly, transactions under the relevant agreement constitute continuing connected transaction for the Company under the Listing Rules. The agreement was exempted from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The relevant details for all the above transactions are set out in the Company’s announcements dated 17th February, 2005 and 5th October, 2005.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and in note 42 to the financial statements and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Hainan Chia Tai Animal Husbandry Co. Ltd. Lease Agreement

On 8th August, 2003, Hainan Chia Tai Animal Husbandry Co. Ltd. (“Hainan CTAH”), a subsidiary of the Company, entered into a lease, pursuant to which C.P. Aquaculture (Hainan) Co. Ltd. (“CP (Hainan)”) has leased the production facilities situated at Laocheng Development Zone, Chengmai County, Hainan province, the PRC including all plants and machinery located thereon from Hainan CTAH for a term of five years expiring on 10th August, 2008. Messrs. Sumet Jiaravanon, Dhanin Chearavanont, Thanakorn Seriburi and Damrongdei Chalongphuntarat, directors of the Company; and Messrs. Jaran Chiaravanont, Montri Jiaravanont, Prasert Poongkumarn, Min Tieworn, Thirayut Phitya-Isarakul and Veeravat Kanchanadul, ex-directors of the Company, have beneficial interests in the share capital of Charoen Pokphand Group Company Limited (“CPG”), CP (Hainan), the tenant under the lease, is an indirect investment of CPG.

Because certain directors and ex-directors have beneficial interests in CPG, CPG is a connected person of the Company and CP (Hainan) is regarded as an associate of CPG for Listing Rules purposes. Accordingly, the lease entered into between Hainan CTAH and CP (Hainan) constitutes a continuing connected transaction for the Company under the Listing Rules. In the opinion of the directors, the lease contains normal commercial terms.



REPORT OF THE DIRECTORS

DISCLOSURE PURSUANT TO RULE 13.18

Save as disclosed below, the directors are not aware of any circumstances which would give rise to a disclosure obligation pursuant to the requirements under Rule 13.18 of the Listing Rules as at 31st December, 2005.

The Company entered into an agreement (the “Loan Facility Agreement”) with two banks in Thailand relating to a loan facility of US\$140.0 million (the “Loan Facility”) on 18th April, 2005. The Loan Facility is to be repaid on 14 semi-annual consecutive instalments and the final maturity date of the Loan Facility is 28th April, 2012. As at 31st December, 2005, the outstanding amount owing by the Company under the Loan Facility was US\$134.4 million.

Pursuant to the Loan Facility Agreement, it would be an event of default if the Company fails to procure that (1) CP Intertrade at all times maintains its shareholding in CPI at not less than 99% (CP Intertrade currently holds 100% of the issued share capital of CPI) and (2) CPI and its affiliates (being (i) any person or entity which has a direct or indirect interest in CPI, or (ii) any company in which any such person(s) and/or entity(ies) together hold not less than a 30% interest) together at all times maintain their aggregate shareholding in the Company at not less than 46.51%. An affiliate of CPI has also undertaken to provide to the Company by way of equity injections or subordinated loans the proceeds of sale of its assets if and when it disposes of its assets. If any of the above-mentioned events of default occurs, all amounts outstanding under the Loan Facility would become immediately due and payable by the Company.

COMPETING INTERESTS

As at 31st December, 2005, the directors were not aware that any of the directors has interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which falls to be disclosed under the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance. It has applied the principles and complied with most of the code provisions set out in the CG code contained in Appendix 14 of the Listing Rules. Details of compliances are set out in the Corporate Governance Report on pages 17 to 27.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company’s code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company’s directors, the directors have complied with the required standard as set out in the Model Code throughout the accounting period covered by the annual report.



REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Audit Committee comprised the three independent non-executive directors of the Company. The establishment of the Audit Committee serves to enhance corporate governance practices. The principal duties of the Audit Committee include the reviewing and supervising of the Company's financial reporting process and internal controls. The Audit Committee met three times during the year. It reviewed the Company's financial statements prior to the finalisation of the interim and final results.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the directors confirm that the Company has maintained the amount of public float as required under the Listing Rules during the year ended 31st December, 2005.

AUDITORS

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Robert Ping-Hsien Ho
Director

Hong Kong
31st March, 2006

