

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 20 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

FINANCIAL RESULTS

The Group's loss for the year ended 31 March 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 21 to 73.

The directors recommended the payment of a final dividend of HK1 cent per ordinary share in respect of the year to shareholders on the register of members on 11 September 2006. This recommendation has been incorporated in the financial statements as an allocation of contributed surplus within the equity section of the balance sheet.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out on page 74. This summary does not form part of the audited financial statements.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 4 September 2006 to Monday, 11 September 2006, both days inclusive, during which period no transfer of shares will be registered. All transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 1 September 2006.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL

Details of the Company's share capital are set out in note 30 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 its 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 31(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

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DISTRIBUTABLE RESERVES

At 31 March 2006, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK\$18,083,000, of which HK\$3,603,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$37,934,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$38,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the five largest customers of the Group accounted for less than 30% of the Group's total sales for the year. Purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases for the year.

DIRECTORS

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

Executive directors:

Chan Shu Kit (*Chairman*)
Kung Wing Yiu (*Deputy Chairman*)
Chan Ho Man

Independent non-executive directors:

Kung Fan Cheong
Chan Ka Ling, Edmond
Lo Kin Cheung

In accordance with the Company's bye-laws, all existing directors will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of the independent non-executive directors an annual confirmation of independence and still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a service agreement with the Company on 1 April 2005 for a term of two years and is subject to retirement and re-election at each annual general meeting of the Company in accordance with the Bye-laws of the Company.

Each of the independent non-executive directors of the Company has entered into a service agreement with the Company with effect from 1 April 2005 and is subject to retirement and re-election at each annual general meeting of the Company in accordance with the Bye-laws of the Company and the appointment shall be extended for a further period of calendar years, until 31 March 2007.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

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DIRECTORS' REMUNERATION

Other emoluments of directors are set out in note 8 to the financial statements.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 March 2006, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(1) Long positions in ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Chan Shu Kit	–	114,240,000 (note 1)	114,240,000	31.70
Kung Wing Yiu	7,802,000	–	7,802,000	2.16

(2) Long positions in shares of associated corporations

(a) Long Yuet Investment Limited, the Company's subsidiary

Name of director	Capacity and nature of interest	Type of shares held	Number of shares held	Percentage of shareholding in the respective class of shares
Chan Shu Kit	Directly beneficially owned	Non-voting deferred	5,000	50
Chan Shu Kit (note 2)	Corporate	Ordinary	100	100
Kung Wing Yiu	Directly beneficially owned	Non-voting deferred	5,000	50

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(b) *Conyick Investments Limited, the Company's subsidiary*

Name of director	Capacity and nature of interest	Type of shares held	Number of shares held	Percentage of shareholding in the respective class of shares
Chan Shu Kit	Directly beneficially owned	Non-voting deferred	400,000	66.66
Chan Shu Kit (note 2)	Corporate	Ordinary	100	100
Kung Wing Yiu	Directly beneficially owned	Non-voting deferred	50,000	8.33

Notes:

1. These shares are held through Hoylake Holdings Limited, a company wholly owned by Chan Shu Kit.
2. The interests of Chan Shu Kit are held via a chain of controlled corporations, namely Hoylake Holdings Limited, the Company, Tack Hsin (BVI) Holdings Limited, Tack Hsin Properties Limited and Rainbow Star Holding Group Limited.

In addition to the above, a director has a non-beneficial personal equity interest in a subsidiary held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 March 2006, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 March 2006, the following interests and short positions were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Hoylake Holdings Limited (<i>note</i>)	Directly beneficially owned	114,240,000	31.70
TH2 Holding LLC	Directly beneficially owned	17,544,000	4.86

Note: This interest has also been disclosed as an interest of Chan Shu Kit under the section headed "Directors' interests and short positions in shares" above.

Save as disclosed above, as at 31 March 2006, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' interests and short positions in shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 36 to the financial statements, none of the directors or their associates 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.

BIOGRAPHICAL DETAILS OF THE DIRECTORS

Name	Age	Position held	Number of years of service	Business experience
Chan Shu Kit	57	Chairman	23	Mr. Chan is a co-founder of the Group and has over 34 years' experience in the catering business. He is responsible for the overall corporate strategy of the Group and is acting as director of subsidiaries of the Company. He is the father of Mr. Chan Ho Man.

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Name	Age	Position held	Number of years of service	Business experience
Kung Wing Yiu	54	Deputy chairman	20	Mr. Kung is responsible for business development and restaurant site selection and is acting as director of subsidiaries of the Company. He has over 29 years' business experience. He joined the Group in 1986.
Chan Ho Man	30	Executive director	5	Mr. Chan joined the Company on 1 March 2001 and has been involved in the management and operation of the Company's restaurant business. He is acting as director of subsidiaries of the Company. He is the son of Mr. Chan Shu Kit.
Kung Fan Cheong	51	Independent non-executive director	14	Mr. Kung is a partner in a law firm of Pang, Kung & Co. and is a member of the Law Society of Hong Kong.
Chan Ka Ling, Edmond	47	Independent non-executive director	14	Mr. Chan is a partner of Chan and Chan, Certified Public Accountants. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants (UK).
Lo Kin Cheung	42	Independent non-executive director	2	Mr. Lo is the Chief Financial Officer of SNP Leefung Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants (UK) and an associate member of the Certified General Accountants of Canada.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

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CORPORATE GOVERNANCE

Details of the corporate governance are set out in the section headed “Corporate Governance Report” in this annual report.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group is set out in note 38 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chan Shu Kit
Chairman

Hong Kong
20 July 2006