



# Report of the Directors

The directors present their report and the audited financial statements of Vongroup Limited (the “Company”) and its subsidiaries (the “Group”) for the year ended 30 April 2006.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group comprise consumer finance business, and the operation of a chain of Chinese restaurants and the production, sale and distribution of bakery and other food and beverage products. During the year, the Group’s production, sale and distribution of bakery and other food and beverage products operation was discontinued. Details of the principal subsidiaries are set out in note 18 to the financial statements.

## SEGMENT INFORMATION

An analysis of the Group’s turnover and results by business segments and geographical segments for the year ended 30 April 2006 is set out in note 7 to the financial statements.

## RESULTS AND DIVIDENDS

The Group’s loss for the year ended 30 April 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 23 to 94.

The directors do not recommend payment of any dividends in respect of the year.

## SUMMARY FINANCIAL INFORMATION

A summary of the published consolidated/combined financial results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 95. This summary does not form part of the audited financial statements.

## FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 16 to the financial statements.

## SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company’s issued share capital and share options during the year, together with the reasons therefor, are set out in notes 37 and 38 to the financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, 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

On 26 April 2006, the Company, in response to the exception fluctuations in the trading price of the shares of the Company, repurchased 3,605,000 shares on the Exchange, at the highest and lowest prices of HK\$1.32 and HK\$1.15 respectively (the “Share Repurchase”). The Share Repurchase was funded from internal resources of the Company. The aggregate consideration for the Share Repurchase was HK\$4,560,150. The Share Repurchase made on the Exchange was made in compliance with the Listing Rules of the Exchange entitled “Rules Governing the Listing of Securities” and the Companies Ordinance pursuant to the general mandates to issue new shares and repurchase shares granted to the Directors by shareholders at its last annual general meeting, and there have been no material changes to the particulars contained in the Explanatory Statement dated 2 September 2005 which was filed with the Exchange. The number of such securities purchased on the Exchange in the year to date was 3,605,000 shares, representing 0.066% of the issued share capital at the time that the resolution awarding the general mandate passed.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 39 to the financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

At 30 April 2006, the Company’s reserves available for distribution, calculated in accordance with the Companies Law (2004 Revision) of the Cayman Islands, amounted to HK\$148.2 million. This includes the Company’s share premium account, in the amount of HK\$244.9 million at 30 April 2006, which may be distributed provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. In addition, the Company’s capital redemption reserve in the amount of HK\$0.26 million may be distributed in the form of fully paid bonus shares.

## MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the five largest customers of the Group accounted for less than 30% of the total Group’s turnover for the year. Purchases from the five largest suppliers of the Group accounted for less than 30% of the total Group’s purchases for the year.

## DIRECTORS

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

### *Executive directors:*

Mr Vong Tat Ieong, David ( <i>Director and Chief Executive Officer</i> )	(appointed on 30 August 2005)
Mr Xu Siping	(appointed on 30 August 2005)
Mr Wong Chi Man	
Mr Wong See Sum, J.P.	
Mr Wong Chi Wing, Tenny	(resigned on 30 August 2005)
Ms Wong Lan Fun, Roberta	(resigned on 30 August 2005)
Ms Ng Suk Bing, Mclanly	(resigned on 30 August 2005)

### *Non-executive director:*

Mr Tam Fook Yee	(resigned on 30 August 2005)
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### *Independent non-executive directors:*

Mr Fung Ka Keung, David	(appointed on 30 August 2005)
Dr Lam Lee G.	(appointed on 30 August 2005)
Ms Wong Man Ngar, Edna	(appointed on 1 January 2006)
Mr Lee Man Youn, Montareal	(resigned on 30 August 2005)
Mr Chan Kam Fai, Robert	(resigned on 30 August 2005)
Mr Cheung Man Yau, Timothy	(resigned on 30 August 2005)
Mr Chan Chiu Fan	(appointed on 30 August 2005 and resigned on 31 December 2005)

In accordance with article 86(3) of the Company's articles of association, Ms Wong Man Ngar, Edna will retire, being eligible, will offer herself for re-election at the forthcoming annual general meeting. In accordance with article 87 of the Company's articles of association, Mr Chan Chiu Fan, Mr Wong Chi Man and Mr Wong See Sum J.P. will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

## DIRECTORS' INTERESTS IN CONTRACTS

Apart from the transactions disclosed in note 45 to the financial statements, 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 holding companies, subsidiaries or fellow subsidiaries was a party during the year.

## DIRECTORS' SERVICE CONTRACTS

Each of Mr Vong Tat Ieong, David and Mr Xu Siping has an employment agreement with the respective subsidiaries of the Group commencing on 3 September 2005, and which will continue thereafter unless and until terminated by either party giving not less than one month's notice in writing or until terminated by mutual consent. Mr Vong has elected to waive all his entitled compensation under the employment agreement for the year ended 30 April 2006.

Mr Wong Chi Man had a service contract with the Company for an initial term of three years commencing on 1 August 2004, which would continue thereafter until terminated by either party giving not less than six months' notice in writing or until terminated by mutual consent, has been terminated on 30 August 2005. He has a new employment contract with a subsidiary of the Group commencing on 3 September 2005, which will continue thereafter unless and until terminated by either party giving not less than one month's notice in writing or until terminated by mutual consent.

Mr Wong See Sum J.P. has a service contract with the Company for an initial term of three years commencing on 1 August 2004, which will continue thereafter until terminated by either party giving not less than six months' notice in writing or until terminated by mutual consent.

Other emoluments are determined by the the Company's board of directors with reference to the directors' duties, responsibilities and performance and the results of the Group.

Save as disclosed above, 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.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 April 2006, the interests and short positions of the directors and chief executives in the shares 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")), 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 Issues (the "Model Code"), were set out as follows:

### Interests in the shares of the Company

Name of director	The Company/ Name of associated Company	Capacity	Number of issued securities	Appropriate percentage of shareholding
Mr Vong Tat Ieong, David ( <i>Note 1</i> )	The Company	Indirect beneficial owner through a controlled corporation	4,062,000,000 ordinary shares of HK\$0.001 each	72.7
Mr Wong Chi Man ( <i>Note 2</i> )	The Company	Direct beneficial owner and through a controlled corporation	59,524,000 ordinary shares of HK\$0.001 each	1.1
Mr Wong See Sum, J.P. ( <i>Note 3</i> )	The Company	Direct beneficial owner	2,735,000 ordinary shares of HK\$0.001 each	0.05

*Note 1:* The interest of Mr Vong is held by Vongroup Holdings Limited, of which he is the ultimate beneficial owner.

*Note 2:* The interest of Wong Chi Man includes 48,299,000 shares held by Cambo Enterprises Limited ("Cambo"), 8,563,000 shares held by New Top Investment Limited ("New Top HK"), and 2,662,000 shares held by Wong Chi Man. Cambo is approximately 48.61% owned by New Top HK, approximately 2.89% owned by Wong Chi Man, approximately 14.64% owned by Wong See Sum, J.P., and approximately 33.86% owned by 20 individuals ranging from approximately 0.12% to approximately 5.52% per individual; New Top HK's ultimate beneficial owner is Wong Chi Man.

*Note 3:* The interest of Wong See Sum, J.P. is his direct personal interest.

Save as disclosed above, at 30 April 2006, none of the directors 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 in the share option scheme disclosures in note 38 to the financial statements, 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 holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SHARE OPTION SCHEME

The Company adopted a share option scheme on 15 September 2001 ("the Share Option Scheme"). Pursuant to the Share Option Scheme, the Directors of the Company, at their discretion, may grant options to Directors, officers and employees (whether full time or part-time) of the Company or a subsidiary and any other groups or classes of suppliers, customers, sub-contracts or agents of the Group from time to time determined by the Directors as having contributed or may contribute to the development and growth of the Group. No share options were outstanding nor granted during the year ended 30 April 2006.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 April 2006, the following interests 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	Interest in shares (Note)	Nature of interest	Percentage of the Company's issued share capital
Vongroup Holdings Limited	4,062,000,000	Direct beneficial owner	72.7
Mr Vong Tat Ieong, David	4,062,000,000	Indirect beneficial owner through a controlled corporation	72.7

*Note:* The relationship between Vongroup Holdings Limited and Mr Vong is disclosed under "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

Save as disclosed above, as at 30 April 2006, no person other than the Directors of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" had registered an interest or short position in the shares and underlying shares and debentures of the Company that was required to be recorded under Section 336 of the SFO.

## CONNECTED TRANSACTIONS

The Company made its first entry into the consumer finance sector by entering into an exclusive right to purchase agreement with respect to a high-yield consumer finance business, Beijing Shuntong Dian Dang Company Limited (“Beijing Shuntong”), and a circular containing the details of the transaction was dispatched to shareholders on 29 December 2005. It was treated as a discloseable and connected transaction under the Listing Rules of the Exchange. One of the directors of Beijing Shuntong is the Company’s executive director, Mr Xu Siping. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Exchange Listing Rules.

## 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 issued share capital was held by the public as at the date of this report.

## DIRECTORS’ INTERESTS IN COMPETING BUSINESSES AND CONFLICTS OF INTERESTS

During the year ended 30 April 2006, the following directors were considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, as set out below:

- (i) Mr Wong Chi Man, an executive director, and his associates have interests in other companies which are engaged in restaurant businesses in and outside Hong Kong as follows:

Company	Place of operations	Position held	Percentage of interest held
Golden Cup Industries Limited	Hong Kong	None	5.3
East Ocean Teochew Restaurant Pte. Ltd.	Singapore	Director	50.0
East Ocean Seafood Restaurant Pte. Ltd.	Singapore	Director	39.0
Yearfull Investments (Canada) Inc.	Canada	Director	7.5

- (ii) Mr Wong See Sum, J.P., an executive director, and his associates have interests in other companies which are engaged in restaurant businesses in and outside Hong Kong as follows:

Company	Place of operations	Position held	Percentage of interest held
Carrianna Chiu Chow Restaurant (T.S.T.) Ltd.	Hong Kong	Non-executive Director	1.0
Banana Leaf Holdings Limited	Hong Kong	None	0.69
East Ocean Teochew Restaurant Pte. Ltd.	Singapore	Director	40.0
East Ocean Seafood Restaurant Pte. Ltd.	Singapore	Director	40.0

Mr Wong Chi Man, Mr Wong See Sum, J.P., and their respective associates have only minority interests in the companies listed above which have operations in Hong Kong.

In respect of those companies in which Mr Wong Chi Man, Mr Wong See Sum, J.P., and their respective associates have a controlling stake, the restaurants are located and operate in Singapore, where the Group has no operations. The directors therefore consider that the Group is capable of carrying on its business independently of, and at arm's length from, the businesses of the above-mentioned companies.

Save as disclosed above, none of the executive directors of the Company or any of their respective associates have engaged in any business that competes or may compete with the businesses of the Group or have any other conflict of interests with the Group.

## POST BALANCE SHEET EVENTS

There were no significant post balance sheet events of the Group.

## AUDITORS

Messrs. Ernst & Young were auditors of the Company for the three years ended 30 April 2003, 2004 and 2005. On 30 June 2006, Messrs. Ernst & Young resigned as auditors of the Company. In July 2006, RSM Nelson Wheeler were appointed as auditors of the Company to fill the casual vacancy to hold office until the conclusion of the forthcoming annual general meeting.

RSM Nelson Wheeler will 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

**Vong Tat Ieong, David**

*Executive Director*

Hong Kong

30 August 2006