

# Report of the Directors

The directors herein present their report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2004.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries and associates are set out in notes 16 and 17 to the financial statements, respectively. 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 31 March 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 30 to 97.

An interim dividend of HK2.0 cents per share was paid by the Company on 30 January 2004. The directors recommend the payment of a final dividend of HK4.6 cents per share in respect of the year ended 31 March 2004 to shareholders on the register of members on 2 September 2004. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within the capital and reserves section of the balance sheet.

# Report of the Directors

## SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. The amounts for each year in the five year financial summary have been adjusted for the effects of the retrospective changes in accounting policy affecting income taxes, as detailed in note 2 to the financial statements.

	Year ended 31 March				
	2004	2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)	(Restated)	(Restated)	(Restated)
<b>RESULTS</b>					
TURNOVER	<u>1,389,343</u>	<u>1,249,639</u>	<u>1,176,128</u>	<u>1,124,833</u>	<u>923,863</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>64,763</u>	<u>63,519</u>	<u>79,418</u>	<u>66,831</u>	<u>56,184</u>
	As at 31 March				
	2004	2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)	(Restated)	(Restated)	(Restated)
<b>ASSETS, LIABILITIES AND MINORITY INTERESTS</b>					
TOTAL ASSETS	<u>1,257,948</u>	<u>1,072,887</u>	<u>883,811</u>	<u>842,589</u>	<u>867,821</u>
TOTAL LIABILITIES	<u>(657,951)</u>	<u>(507,063)</u>	<u>(358,766)</u>	<u>(397,154)</u>	<u>(350,610)</u>
MINORITY INTERESTS	<u>(25,815)</u>	<u>(34,694)</u>	<u>(27,317)</u>	<u>(21,094)</u>	<u>(12,691)</u>
NET ASSETS	<u>574,182</u>	<u>531,130</u>	<u>497,728</u>	<u>424,341</u>	<u>504,520</u>

The information set out above does not form part of the audited financial statements.

## **FIXED ASSETS AND INVESTMENT PROPERTY**

Details of movements in the fixed assets and investment property of the Group are set out in note 14 to the financial statements. Further details of the Group's investment property are set out on page 98.

## **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 which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **RESERVES**

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

## **DISTRIBUTABLE RESERVES**

At 31 March 2004, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$298,680,000, of which HK\$18,380,000 has been proposed as a final dividend for the year.

## **BORROWINGS**

Details of the Group's borrowings at the balance sheet date are set out in note 24 to the financial statements.

# Report of the Directors

## DIRECTORS

The directors of the Company during the year were:

### **Executive directors:**

TAI Tak Fung, Stephen (*Chairman*)

WU Mei Yung, Quinly

MAN Wing Cheung, Ellis

YIP Wai Keung

WU Wing Biu

### **Independent non-executive directors:**

Tsunao KIJIMA

LEUNG Mei Han

CHAN Yuk Sang, Peter

In accordance with article 119 of the Company's articles of association, Mr. MAN Wing Cheung, Ellis and Mdm. LEUNG Mei Han, will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

## DIRECTORS' SERVICE CONTRACTS

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' INTERESTS IN CONTRACTS

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' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2004, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”), were as follows:

### (A) Long positions in ordinary shares of the Company

	Number of ordinary shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Beneficiary of a trust	Through controlled corporation and other interests		
TAI Tak Fung, Stephen	-	81,250,000 (i)	82,000,000 (ii)	107,508,000 (iii)	270,758,000	67.76
WU Mei Yung, Quinly	-	81,250,000 (i)	82,000,000 (ii)	107,508,000 (iii)	270,758,000	67.76
YIP Wai Keung	680,000	-	-	-	680,000	0.17

#### Notes:

- (i) 81,250,000 shares are owned by Special Access Limited (“SAL”), a company wholly-owned by Dr. Tai Tak Fung, Stephen, JP, and his spouse Dr. Wu Mei Yung, Quinly.
- (ii) 82,000,000 shares are owned by Careful Guide Limited (“CGL”) whose shares are owned by a discretionary trust, the Tai Family Trust, the eligible beneficiaries of which include members of the family of Dr. Tai Tak Fung, Stephen, JP, and his spouse Dr. Wu Mei Yung, Quinly.
- (iii) 107,508,000 shares are owned by Capital Season Investments Limited (“CSI”). CSI is wholly-owned by Advance Finance Investments Limited, which is a wholly-owned subsidiary of Four Seas eFood Holdings Limited (“FSFH”). Accordingly, FSFH is deemed to be interested in 107,508,000 shares in the Company. SAL and CGL in aggregate hold more than one-third of the issued share capital of FSFH. Accordingly, Dr. Tai Tak Fung, Stephen, JP, and his spouse Dr. Wu Mei Yung, Quinly, through SAL and CGL, are deemed to be interested in 107,508,000 shares, which represents approximately 26.91% of the issued shares of the Company.

# Report of the Directors

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

### (A) Long positions in ordinary shares of the Company (continued)

All the interests stated above represent long positions in the shares of the Company and exclude those in the underlying shares through share options or equity derivatives. Interests of the respective directors set out in this subsection (A) need to be aggregated with their interests in the underlying shares through share options of the Company set out in subsection (B) below in order to give the total interests of the respective directors in the Company pursuant to the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### (B) Long positions in the underlying shares of the Company through share options

Share options have been granted to the directors under the share option scheme adopted by the Company on 2 September 2002. Details of the share options outstanding as at 31 March 2004 under the scheme are as follows:

Name	Nature of interest	Number of share options held	Date of grant of share options	Exercise price of share options HK\$	Exercisable period
TAI Tak Fung, Stephen	Personal	300,000	11 February 2003	2.955	1 August 2003
	Family (i)	300,000			to 31 January 2005
WU Mei Yung, Quinly	Personal	300,000	11 February 2003	2.955	1 August 2003
	Family (ii)	300,000			to 31 January 2005
YIP Wai Keung	Personal	300,000	11 February 2003	2.955	1 August 2003 to 31 January 2005
WU Wing Biu	Personal	300,000	11 February 2003	2.955	1 August 2003 to 31 January 2005
MAN Wing Cheung, Ellis	Personal	300,000	11 February 2003	2.955	1 August 2003 to 31 January 2005
Tsunao KIJIMA	Personal	300,000	11 February 2003	2.955	1 August 2003 to 31 January 2005
LEUNG Mei Han	Personal	300,000	11 February 2003	2.955	1 August 2003 to 31 January 2005
CHAN Yuk Sang, Peter	Personal	300,000	11 February 2003	2.955	1 August 2003 to 31 January 2005

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

### (B) Long positions in the underlying shares of the Company through share options (continued)

*Notes:*

- (i) The family interest represents share options held by Dr. Wu Mei Yung, Quinly, spouse of Dr. Tai Tak Fung, Stephen, JP.
- (ii) The family interest represents share options held by Dr. Tai Tak Fung, Stephen, JP, spouse of Dr. Wu Mei Yung, Quinly.

Save as disclosed above, as at 31 March 2004, none of the directors of the Company nor any of their spouse or minor children was granted or held options to subscribe for shares in the Company (within the meaning of Part XV of the SFO), or had exercised such rights.

Other than certain non-beneficial personal equity interests held by Dr. Tai Tak Fung, Stephen, JP, and Mr. Yip Wai Keung for the benefit of the Company, solely for the purpose of complying with the minimum company membership requirements, and save as disclosed above, none of the directors nor any of their associates had any interests or short positions in the shares and underlying shares of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO as at 31 March 2004, 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 share option scheme disclosures in note 27 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 subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2004, the interests or short positions of every person, other than a director of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholder		Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued capital
Special Access Limited		Direct Long position	81,250,000	20.33
Careful Guide Limited ("CGL")		Direct Long position	82,000,000	20.52
HSBC International Trustee Limited	<i>Note 1</i>	Deemed Long position	82,000,000	20.52
Capital Season Investments Limited ("CSI")		Direct Long position	107,508,000	26.91
Advance Finance Investments Limited	<i>Note 2</i>	Deemed Long position	107,508,000	26.91
Four Seas eFood Holdings Limited ("FSFH")	<i>Note 3</i>	Deemed Long position	107,508,000	26.91
Arisaig Greater China Fund		Direct Long position	28,334,000	7.09
Arisaig Partners (Mauritius) Limited	<i>Note 4</i>	Deemed Long position	28,334,000	7.09
Lindsay William Ernest Cooper	<i>Note 5</i>	Deemed Long position	28,334,000	7.09



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

*Notes:*

1. The interests of HSBC International Trustee Limited are held as trustee via CGL for a discretionary trust, the Tai Family Trust, the eligible beneficiaries of which include members of the family of Dr. Tai Tak Fung, Stephen, JP, and his spouse Dr. Wu Mei Yung, Quinly. These interests are also included as beneficiary of a trust of Dr. Tai Tak Fung, Stephen, JP, and his spouse Dr. Wu Mei Yung, Quinly in "Directors' interests and short positions in shares and underlying shares".
2. Advance Finance Investments Limited is deemed by virtue of its holding in the entire issued share capital of CSI to be interested in the 107,508,000 shares.
3. FSFH is deemed by virtue of its holding in the entire issued share capital of Advance Finance Investments Limited which in turn wholly owns CSI to be interested in the 107,508,000 shares.
4. The figure refers to the same holding in 28,334,000 shares held by the Arisaig Greater China Fund ("Arisaig Fund"). Arisaig Partners (Mauritius) Ltd. ("Arisaig Mauritius") is the investment manager of Arisaig Fund and is thereby deemed to have an interest in the shares in which Arisaig Fund is interested.
5. Mr. Lindsay William Ernest Cooper has only an indirect beneficial interest in Arisaig Mauritius (the investment manager of Arisaig Fund) but is thereby deemed to have interest in the shares in which Arisaig Mauritius is interested.

Save as disclosed above, no persons, other than the directors whose interests are set out in the above section headed "Directors' interests and short positions in shares and underlying shares", had registered an interest or a short position in the shares and underlying shares of the Company that was recorded in the register required to be kept by the Company under Section 336 of the SFO.

# Report of the Directors

## PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Dr. TAI Tak Fung, Stephen**, SBS, JP, PhD (honoris causa), aged 56, is the founder and chairman of the Group, responsible for corporate strategies, policies and planning. Dr. Tai received a number of awards and accolades, including the 30th Food Industry Distinguished Service Award, Letter of Appreciation from the Food & Marketing Bureau of the Ministry of Agriculture, Forestry and Fishery of Japan, “Honourable Citizen of Shantou” and “Honourable Citizen of Guangzhou” in Mainland China. He holds several public positions, including the president of Hong Kong Foodstuffs Association Limited, the president of Hong Kong Japan Confectionery, Biscuit & Foodstuff Association, the consultant of China National Food Industry Association, a member of the Chinese People’s Political Consultative Conference, a member of the Chinese People’s Political Consultative Conference Canton Standing Committee and the International Economic Adviser of the People’s Government of Hebei Province. He is also the chairman of Four Seas eFood Holdings Limited (“FSFH”) which is listed on The Stock Exchange of Hong Kong Limited, and a director of Careful Guide Limited and Special Access Limited, the substantial shareholders of the Company.

**Dr. WU Mei Yung, Quinly**, PhD (honoris causa), aged 51, is a co-founder and the managing director of the Group, responsible for the Group’s business strategic planning, and formulation of human resources and administration policies. She has more than 29 years’ experience in the food and confectionery business. Dr. Wu is also a director of Careful Guide Limited and Special Access Limited. She is the spouse of Dr. Tai Tak Fung, Stephen.

**Mr. MAN Wing Cheung, Ellis**, aged 48, is the deputy managing director of the Group, responsible for corporate finance, accounting, information technology and project investments of the Group. Mr. Man has a Master of Commerce degree from the University of New South Wales in Australia. He is also a member of CPA Australia and the Hong Kong Society of Accountants. He gained extensive experience in finance and accounting from overseas multinational corporations. Mr. Man joined the Group in 1992. He is also a director of FSFH.

## PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### Executive Directors (continued)

**Mr. YIP Wai Keung**, aged 54, is responsible for the overall sales and marketing functions of the Group. Prior to joining the Group, Mr. Yip was the marketing manager of a Japanese food company in Hong Kong for eight years. He has more than 31 years' experience in sales and marketing. Mr. Yip joined the Group in 1979. He is also a director of FSFH.

**Mr. WU Wing Bui**, aged 45, is responsible for the merchandising and purchasing management of the Group. He has more than 20 years' experience in the food and confectionery industry. Mr. Wu joined the Group in 1978. He is a brother of Dr. Wu Mei Yung, Quinly.

### Non-executive Directors

**Mr. Tsunao KIJIMA**, aged 56, is the senior vice president, division chief operation officer of the food products division of Mitsubishi Corporation. He holds a Bachelor of Arts degree in Economics from Keio University in Japan. Mr. Kijima has more than 33 years' experience of worldwide trading of processed foods, beverages, snack foods, and other food products. He spent eight years in the United States managing the affiliated companies of Mitsubishi Corporation in the food manufacturing and marketing industry.

**Mdm. LEUNG Mei Han**, aged 46, holds a Bachelor of Commerce degree from the University of Queensland in Australia and is a fellow member of CPA Australia. Mdm. Leung has 20 years' experience in corporate finance and related areas.

**Mr. CHAN Yuk Sang, Peter**, aged 58, was the chairman of a listed company on the Stock Exchange of Hong Kong until July 2002. He was a senior general manager of a local bank until November 1998. Mr. Chan was also a director of a listed company in Hong Kong from 1993 to 1995 and an executive director of a joint Chinese-foreign bank in Shenzhen until 1995. He has more than 35 years' experience in the banking and finance industry.

# Report of the Directors

## PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### Senior management

**Mr. TSE Siu Wan**, aged 43, is a director and the general manager of Hong Kong Ham Holdings Limited (“HK Ham”), a wholly-owned subsidiary of the Group, responsible for the management of the Group’s ham manufacturing operations. He has extensive experience in the manufacturing of ham and ham-related products. Mr. Tse joined HK Ham in 1980. He is also a director of FSFH.

**Mdm. CHAN Siu Ling, Doris**, aged 51, is the assistant managing director of the Group, responsible for general administration and human resources. She holds a certificate in public management from the University of California, Berkeley. Prior to joining the Group, she had more than 28 years’ working experience in the government and statutory organisations. Mdm. Chan joined the Group in 2001.

**Mr. LO Ka Sing, Kassim**, aged 50, is the general manager of the sales department, responsible for sales functions in Hong Kong. Mr. Lo holds a Master of Business Administration degree from the Southern California University for Professional Studies in the U.S.A. Prior to joining the Group, he was an assistant general manager of a listed company in Hong Kong. He has more than 26 years’ experience in sales and marketing. Mr. Lo joined the Group in 1996.

**Mr. LAI Yuk Fai, Patrick**, aged 49, is the general manager of the business development department, responsible for the Group’s business planning and developing. Mr. Lai has a Bachelor of Business Administration degree from The Chinese University of Hong Kong. Prior to joining the Group, he was the general manager of the sales department of a multinational company. Mr. Lai joined the Group in 1998.

## PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### Senior management (continued)

**Mr. LEUNG Tin Chi, Wallace**, aged 40, is the financial controller and company secretary of the Group, responsible for finance, accounting and company secretarial affairs. Mr. Leung holds a Bachelor of Business degree from Swinburne University of Technology in Australia. He is also a member of CPA Australia and the Hong Kong Society of Accountants. Mr. Leung has extensive accounting experience. He joined the Group in 1994.

**Mr. NAM Chi Ming, Gibson**, aged 43, is the general manager of the Group's internal audit department, responsible for managerial controls and internal audit. He holds a Master of Business Administration degree from The Chinese University of Hong Kong. Mr. Nam is an associate member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. He has extensive financial and managerial experience. Mr. Nam worked in the Group from 1996 to 1999, and re-joined the Group in 2001.

**Mr. MA Ching Shun, Gordon**, aged 58, is the assistant to the managing director of the Group, responsible for assisting the managing director in overseeing the manufacturing operations. Mr. Ma holds a Master of Business Administration degree from Murdoch University in Australia. Prior to joining the Group, he was the general manager of a food company and has more than 20 years' experience in the retail and supermarket business in Hong Kong. Mr. Ma joined the Group in 1997.

**Mr. YANG Rhue, Gerald**, aged 42, is the general manager of the advertising department of the Group, responsible for the advertising and promotional activities. Prior to joining the Group, Mr. Yang worked for an international renowned advertising firm. He has more than 17 years' working experience in the advertising industry. He joined the Group in 1987.

**Mr. HO Kwok Tong, Fred**, aged 50, is the senior manager of the information technology department, responsible for information technology and systems development. He holds a Master of Business Administration degree from Southern California University for Professional Studies in the U.S.A. Mr. Ho has over 28 years' experience in the development of management information systems. He joined the Group in 1994.

# Report of the Directors

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the five largest customers accounted for less than 30% of the Group's total sales for the year. Purchases from the five largest suppliers accounted for 30.5% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to 11.1%.

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 suppliers.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and facilities granted by its principal bankers. As at 31 March 2004, the Group had banking facilities of HK\$1,222,030,000 of which 40% had been utilised. The Group had a gearing ratio of 0.86 as at 31 March 2004. This is expressed as total bank borrowings to shareholders' funds. Bank borrowings of the Group, denominated in either Hong Kong dollar, Japanese Yen or US dollar currencies, mainly comprise trust receipt loans and bank loans (the "Interest-Bearing Bank Borrowings") at prevailing market interest rates. The Interest-Bearing Bank Borrowings which are classified as current liabilities are repayable within one year and the Interest-Bearing Bank Borrowings in non-current liabilities are repayable within two to five years. As at 31 March 2004, the Group held cash and cash equivalents of HK\$346,951,000. During the year, the Group placed excess short-term funds in short term currency-link deposits with banks and earned a net income of HK\$9,700,000. As at 31 March 2004, no short term currency-link deposits were placed with banks. There are no significant changes in the Group's contingent liabilities and no charges on the Group's assets during the year under review.

## STAFF EMPLOYMENT

The total number of employees of the Group as at 31 March 2004 was 2,272. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. The Group operates a mandatory provident fund scheme which covers all the employees of the Group.

The Company adopted a share option scheme on 2 September 2002. 2,400,000 and 3,700,000 share options were granted to the directors (including executive directors and independent non-executive directors) and employees, respectively, on 11 February 2003 at the exercise price of HK\$2.955. Except for 600,000 share options granted to employees which lapsed, no share options were granted, lapsed, cancelled or exercised during the year under review.

## 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.

## CONNECTED TRANSACTIONS

On 30 May 2003, Four Seas China Holdings Limited ("Four Seas China"), a wholly-owned subsidiary of the Group, entered into a share transfer agreement with Thai President Foods Public Company Limited ("Thai President") to acquire 49% of the registered capital (the "Transaction") of Li Fook (Qingdao) Foods Co., Ltd. ("Li Fook") at a cash consideration of US\$1,078,000 (equivalent to approximately HK\$8,408,400) which has been settled in full. Prior to the Transaction, Four Seas China and Thai President owned 51% and 49%, respectively, of the registered capital of Li Fook. Subsequent to the Transaction, Li Fook became a wholly-owned subsidiary of the Company.

By virtue of Thai President being a substantial shareholder of a subsidiary of the Company at the transaction date, the Transaction constituted a connected transaction of the Company which required disclosure under Rule 14.25(1) of the Rules Governing the Listing of Securities on the Stock Exchange.

A press announcement in respect of the Transaction was released on 30 May 2003.

# Report of the Directors

## CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules of the Stock Exchange, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company’s articles of association.

## AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises two of the independent non-executive directors of the Company.

## 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

**Dr. TAI Tak Fung, Stephen, JP**

*Chairman*

Hong Kong

20 July 2004