

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 2006.

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 19 and 20 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 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 46 to 149.

An interim dividend of HK2.0 cents per share was paid by the Company on 20 January 2006. The directors recommend the payment of a final dividend of HK5.0 cents per share in respect of the year ended 31 March 2006 to shareholders on the register of members on 1 September 2006. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

Report of the Directors

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 March				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
RESULTS					
REVENUE	<u>1,747,716</u>	<u>1,561,785</u>	<u>1,389,343</u>	<u>1,249,639</u>	<u>1,176,128</u>
PROFIT FOR THE YEAR	<u>88,701</u>	<u>92,046</u>	<u>64,342</u>	<u>60,513</u>	<u>78,157</u>
Attributable to:					
Equity holders of the parent	94,561	80,720	64,763	63,519	79,418
Minority interests	(5,860)	11,326	(421)	(3,006)	(1,261)
	<u>88,701</u>	<u>92,046</u>	<u>64,342</u>	<u>60,513</u>	<u>78,157</u>
	As at 31 March				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
ASSETS AND LIABILITIES					
TOTAL ASSETS	1,530,107	1,363,363	1,257,948	1,072,887	883,811
TOTAL LIABILITIES	(799,647)	(701,855)	(657,951)	(507,063)	(358,766)
	<u>730,460</u>	<u>661,508</u>	<u>599,997</u>	<u>565,824</u>	<u>525,045</u>

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

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment, and an investment property of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's investment property are set out on page 150.

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 32(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2006, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$300,724,000, of which HK\$19,978,000 has been proposed as a final dividend for the year.

BORROWINGS

Details of the Group's bank borrowings at the balance sheet date are set out in note 28 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

CHAN Siu Ling, Doris (appointed on 24 January 2006)

Independent non-executive directors:

LEUNG Mei Han

CHAN Yuk Sang, Peter

Tsunao KIJIMA

CHEE Jing Yin (appointed on 27 February 2006 and resigned on 7 March 2006)

Subsequent to the balance sheet date, on 4 July 2006, Mr. Tsunao Kijima resigned and Mr. Hiroshi Zaizen was appointed as an independent non-executive director of the Company.

In accordance with article 119 of the Company's articles of association, Dr. Tai Tak Fung, Stephen, Dr. Wu Mei Yung, Quinly, Mr. Wu Wing Biu and Mr. Chan Yuk Sang, Peter, will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with article 101 of the Company's articles of association, Mdm. Chan Siu Ling, Doris and Mr. Hiroshi Zaizen will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mdm. Leung Mei Han, Mr. Chan Yuk Sang, Peter, Mr. Tsunao Kijima and Mr. Hiroshi Zaizen and still considers them to be independent.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Dr. Tai Tak Fung, Stephen, has a service contract with the Company for a term of two years which commenced on 1 April 2006 and is subject to termination by either party giving not less than three months' written notice.

Dr. Wu Mei Yung, Quinly, has a service contract with the Company for a term of two years which commenced on 1 April 2006 and is subject to termination by either party giving not less than three months' written notice.

Mr. Wu Wing Biu, has a service contract with the Company for a term of two years which commenced on 1 April 2006 and is subject to termination by either party giving not less than three months' written notice.

Mdm. Chan Siu Ling, Doris, has a service contract with the Company for a term of two years which commenced on 24 January 2006 and is subject to termination by either party giving not less than three months' written notice.

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' REMUNERATION

The directors' remuneration is determined by the Company's board of directors with reference to directors' duties, responsibilities and performance, and the results of the Group.

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.

Report of the Directors

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2006, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “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 Issuers (the “Model Code”) were as follows:

Long position in ordinary shares of the Company:

Name of director	Number of ordinary shares held, capacity and nature of interest					Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Beneficiary of a trust	Through controlled corporation and other interests	Total interests	
TAI Tak Fung, Stephen	–	81,250,000 (i)	82,000,000 (ii)	110,354,000 (iii)	273,604,000	68.48%
WU Mei Yung, Quinly	–	81,250,000 (i)	82,000,000 (ii)	110,354,000 (iii)	273,604,000	68.48%
YIP Wai Keung	680,000	–	–	–	680,000	0.17%

Report of the Directors

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

Notes:

- (i) The 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) The 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) The 110,354,000 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 Food Investment Holdings Limited ("FSFH"). Accordingly, FSFH is deemed to be interested in 110,354,000 shares in the Company. FSFH is owned as to 0.072% by the Company, 1.76% by Dr. Tai Tak Fung, Stephen, JP, 20.38% by SAL, and 11.91% by CGL. As Dr. Wu Mei Yung, Quinly is the spouse of Dr. Tai Tak Fung, Stephen, JP, Dr. Wu Mei Yung, Quinly is deemed to be interested in the shares of Dr. Tai Tak Fung, Stephen, JP and vice versa. Therefore, Dr. Tai Tak Fung, Stephen, JP and his spouse Dr. Wu Mei Yung, Quinly are considered to have deemed interests in 110,354,000 shares of the Company.

All the interests stated above represent long positions in the shares of the Company.

Save as disclosed above, as at 31 March 2006, none of the directors nor any of their associates had registered any interests or short positions in the shares, underlying shares or debentures 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 2006, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

During the year ended 31 March 2006, none of the directors of the Company or any of their respective 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.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

At 31 March 2006, the interests or short positions of every person, other than the directors 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	Notes	Capacity and nature of interest		Number of ordinary shares held	Percentage of the Company's issued share capital
Special Access Limited		Direct	Long position	83,250,000	20.84%
Careful Guide Limited ("CGL")		Direct	Long position	80,000,000	20.02%
HSBC International Trustee Limited	Note 1	Deemed	Long position	80,000,000	20.02%
Capital Season Investments Limited ("CSI")		Direct	Long position	110,354,000	27.62%
Advance Finance Investments Limited ("AFI")	Note 2	Deemed	Long position	110,354,000	27.62%
Four Seas Food Investment Holdings Limited ("FSFH")	Note 3	Deemed	Long position	110,354,000	27.62%
Arisaig Greater China Fund ("Arisaig Fund")		Direct	Long position	28,334,000	7.09%
Arisaig Partners (Mauritius) Limited ("Arisaig Mauritius")	Note 4	Deemed	Long position	28,334,000	7.09%
Lindsay William Ernest Cooper	Note 5	Deemed	Long position	28,334,000	7.09%

Report of the Directors

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

Notes:

1. The interest of HSBC International Trustee Limited is 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 trust and similar interests 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" above.
2. AFI is deemed by virtue of its holding of the entire issued share capital of CSI to be interested in the shares held by CSI.
3. FSFH is deemed to be interested in the shares held by CSI by virtue of its holding in the entire issued share capital of AFI, which in turn wholly owns CSI.
4. The figure refers to the same holding of 28,334,000 shares held by the Arisaig Fund. 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, as at 31 March 2006, 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 or underlying shares of the Company that was recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company did not have any outstanding option at the beginning and at the end of the year. During the year, no options have been granted under the share option scheme adopted by the Company on 2 September 2002. Details of the share option scheme are set out in note 31 to the financial statements.

Report of the Directors

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr. TAI Tak Fung, Stephen, SBS, JP, PhD (honoris causa), aged 58, has been an executive director of the Company since June 1993. Dr. Tai is the founder and chairman of the Group, responsible for corporate strategies, policies and planning. He holds Honorary Doctorate of Philosophy from Morrison University in the United States and Doctor of Philosophy in Business Administration (honoris causa) from Southern California University for Professional Studies in the United States. He is 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 Visiting Professor of South China Normal University. Dr. Tai holds several public positions, including the president of Hong Kong Foodstuffs Association Limited, the president of Hong Kong Japan Confectionery, Biscuit & Foodstuff Association, the chairman of Guangdong Chamber of Foreign Investors, the consultant of China National Food Industry Association, the International Economic Adviser of the People's Government of Hebei Province, member of the Greater Pearl River Delta Business Council and member of the Trade and Industry Advisory Board of HKSAR. He received a number of awards and accolades, including the World Outstanding Chinese Award, 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, the Outstanding Contribution Award of China National Food Industry, the Top 10 Outstanding People of Asia Management Innovation Award, the Top 10 Famous People of China Innovative Branding Award, "Honourable Citizen of Shantou" and "Honourable Citizen of Guangzhou" in Mainland China. He is also the chairman of Four Seas Food Investment Holdings Limited ("FSFH"), a substantial shareholder of the Company and the shares of which are listed on the Stock Exchange, 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 53, has been an executive director of the Company since June 1993. Dr. Wu is a co-founder and the managing director of the Group, responsible for the Group's business strategic development and planning, formulation of human resources, merchandising and purchase strategies, and managing the operations of the business of the Group in accordance with the strategic goals of the Group. She has more than 31 years' experience in the food and confectionery business. Dr. Wu is also a director of Careful Guide Limited and Special Access Limited, the substantial shareholders of the Company. She is the spouse of Dr. Tai Tak Fung, Stephen.

Report of the Directors

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Mr. MAN Wing Cheung, Ellis, aged 50, has been an executive director of the Company since August 1999. Mr. Man 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 Institute of Certified Public 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.

Mdm. CHAN Siu Ling, Doris, aged 53, has been appointed as an executive director of the Company since 24 January 2006. Mdm. Chan is the deputy managing director of the Group, responsible for general administration and human resources of the Group as well as the supervision of restaurant and retail businesses. She holds a certificate in public management from the University of California, Berkeley. She has more than 28 years' working experience in the government and statutory organisations. Her various appointments included Chief Executive Officer in the Hong Kong Civil Service Bureau, the Trade and Industry Department and the Hospital Authority. She was the Head of Human Resources and Administration of the Airport Authority Hong Kong and a member of its Executive Committee. She worked in the Group as assistant managing director from January 2001 to September 2004.

Mr. YIP Wai Keung, aged 56, has been an executive director of the Company since June 1993. Mr. Yip is responsible for the project development of the Group and liaising with the joint venture partners. Prior to joining the Group, Mr. Yip was responsible for marketing and promotion activities in a Japanese food company in Hong Kong for 8 years. He has more than 33 years' experience in sales and marketing. Mr. Yip joined the Group in 1979. He is also a director of FSFH.

Report of the Directors

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Mr. WU Wing Biu, aged 47, has been an executive director of the Company since June 1993. Mr. Wu is responsible for merchandising and purchasing management of the Group as well as assisting in the establishment of closely relationship with suppliers. He has more than 21 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, an executive director of the Company.

Independent Non-Executive Directors

Mr. Tsunao KIJIMA, aged 58, was appointed as an independent non-executive director of the Company since April 1997. Mr. Kijima is the executive vice president, regional CEO for Europe of Mitsubishi Corporation, chairman and managing director of Mitsubishi Corporation International N.V., managing director of Mitsubishi Corporation (UK) PLC. He holds a Bachelor of Arts degree in Economics from Keio University in Japan. Mr. Kijima has more than 35 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. Mr. Kijima resigned as an independent non-executive director of the Company on 4 July 2006.

Mdm. LEUNG Mei Han, aged 48, has been an independent non-executive director of the Company since December 1998. Mdm. Leung holds a Bachelor of Commerce degree from the University of Queensland in Australia and is a fellow member of CPA Australia. Mdm. Leung has 22 years' experience in corporate finance and related areas.

Report of the Directors

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Independent Non-Executive Directors (continued)

Mr. CHAN Yuk Sang, Peter, aged 60, has been an independent non-executive director of the Company since July 2000. Mr. Chan was the chairman of a listed company on the Stock Exchange 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 36 years' experience in the banking and finance industry. Mr. Chan is currently an independent non-executive director of Gome Electrical Appliances Holdings Ltd., a company listed on the Main Board of the Stock Exchange.

Mr. Hiroshi ZAIZEN, aged 72, has been appointed as an independent non-executive director of the Company since 4 July 2006. Mr. Zaizen is a corporate advisor of Mitsubishi Corporation. He is a graduate of Waseda University. He was decorated for the Knight of the Order of the Dannebrog from The Queen of Royal Denmark. Between the years 1988 and 1998, Mr. Zaizen was a chairman and managing director of Mitsubishi Corporation (Hong Kong) Limited and an executive vice president and representing director of Mitsubishi Corporation. Mr. Zaizen holds several public positions including the president of Japan-Hong Kong Business Association, Counselor of Japan/Denmark Association, a member of Executive Committee of Federation of Hong Kong Business Associations Worldwide, a member of Japan/Canada Forum and a member of Japan Hong Kong Business Committee. He has an extensive business and management experience in food industries.

Senior management

Mr. TSE Siu Wan, aged 45, 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.

Report of the Directors

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Senior management (continued)

Mr. LO Ka Sing, Kassim, aged 52, 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 United States. Prior to joining the Group, he was the assistant general manager of a listed company in Hong Kong. He has more than 28 years' experience in sales and marketing. Mr. Lo joined the Group in 1996.

Mr. LAI Yuk Fai, Patrick, aged 51, is the general manager of the business development department, responsible for the Group's business planning, production management 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 sales department of a multinational company. Mr. Lai joined the Group in 1998.

Mr. NAM Chi Ming, Gibson, aged 45, is the general manager of the Group's internal audit, 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 Institute of Certified Public 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. LEUNG Tin Chi, Wallace, aged 42, is the financial controller, qualified accountant 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 Institute of Certified Public Accountants. Mr. Leung has extensive accounting experience. He joined the Group in 1994.

Report of the Directors

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Senior management (continued)

Ms. WONG Yuen Shan, Susanna, aged 40, is the general manager of the Group's communications department, responsible for communications, promotion and advertising activities. Ms. Wong had previously worked for an international communications consultancy. Before joining the Group, she worked in a Hong Kong listed retail chain and responsible for corporate communications in Asia Pacific. Ms. Wong joined the Group in 2005.

Mr. HO Kwok Tong, Fred, aged 52, is the general 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 United States. Mr. Ho has over 30 years' experience in the development of management information system. He joined the Group in 1994.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 30.3% of the total purchases for the year and purchases from the largest supplier included therein amounted to 13.1%.

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 customers and suppliers.

Report of the Directors

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 2006, the Group had banking facilities of HK\$1,341,549,000 of which 44% had been utilised. The Group had a gearing ratio of 84% as at 31 March 2006. This is expressed as the total bank borrowings to equity attributable to equity holders of the parent. Bank borrowings of the Group, denominated in either Hong Kong dollar, Japanese yen or United States dollar, 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 between two and five years. As at 31 March 2006, the Group held cash and cash equivalents of HK\$454,291,000. During the year, the Group placed excess short term funds in short term currency-link deposits with banks and incurred a net loss of HK\$8,257,000. As at 31 March 2006, no short term currency-link deposits were placed with banks. There were 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 2006 was 3,225. 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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.

Report of the Directors

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the independent non-executive directors of the Company.

The summary of duties and works of the audit committee is set out in “Corporate Governance Report” of this annual report.

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, SBS, JP

Chairman

Hong Kong, 19 July 2006