



# 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 subsidiaries are set out in note 15 to the financial statements. 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 the Group at that date are set out in the financial statements on pages 18 to 53.

An interim dividend of HK5.0 cents per ordinary share was paid to the shareholders whose names appear on the Company's register of members on 18 January 2006. The directors recommend the payment of a final dividend of HK1.5 cents per ordinary share in respect of the year to shareholders on the register of members on 17 August 2006. This recommendation has been incorporated in the financial statements as an allocation of retained profits or contributed surplus within the equity section of the balance sheet.

## ***Summary financial information***

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 54. This summary does not form part of the audited financial statements.

## ***Property, plant and equipment***

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

## ***Share capital and share options***

Details of the Company's share capital and share options are set out in notes 24 and 25 to the financial statements, respectively.

## ***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 26(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 Bermuda Companies Act 1981, amounted to HK\$47,041,000, of which HK\$4,755,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$49,586,000, may be distributed in the form of fully paid bonus shares.

## *Major customers and suppliers*

In the year under review, sales to the Group's five largest customers accounted for 38% of the total sales for the year and sales to the largest customer included therein amounted to 16%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

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.

## *Directors*

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

### **Executive directors:**

Char On Man  
So Choi Hing, Stella  
Li Wing Tak

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

Woo, Michael  
Ho Wai Chi, Paul  
Chen Yeh Ming, Steve

In accordance with the Company's bye-laws, Char On Man and Li Wing Tak will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmation of independence from each of the independent non-executive directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and, as at the date of this report, the Company still considers them to be independent.

## *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' remuneration*

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.



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## *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, its holding company or any of its subsidiaries and fellow subsidiaries was a party during the year.

## *Directors' interests and short positions in shares*

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 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		Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation		
Char On Man	57,065,000	167,832,000 (Note)	224,897,000	70.9%
So Choi Hing, Stella	<u>3,885,000</u>	<u>–</u>	<u>3,885,000</u>	<u>1.2%</u>

### (2) Long positions in shares of associated corporations:

#### (a) *Peking Fur Factory (Hong Kong) 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 respective class of shares
Char On Man	Directly beneficially owned	Non-voting deferred	11,444	95.3%

#### (b) *Wellglow Investments Limited, the Company's holding company*

Name of director	Number of ordinary shares held, capacity and nature of interest		Total	Percentage of shareholding in respective class of shares
	Directly beneficially owned	Through spouse or minor children		
Char On Man	674	100	774	89.5%
So Choi Hing, Stella	<u>60</u>	<u>–</u>	<u>60</u>	<u>6.9%</u>

Note:

These shares are held through Wellglow Investments Limited, a company in which Char On Man has total interests of 89.5%.



# REPORT OF THE DIRECTORS

## *Directors' interests and short positions in shares (continued)*

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*

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 and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## *Substantial shareholders' interests and short positions in shares*

At 31 March 2006, 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:

### **Long positions in ordinary shares of the Company:**

<b>Name</b>	<b>Capacity and nature of interest</b>	<b>Number of shares held</b>	<b>Percentage of the Company's issued share capital</b>
Wellglow Investments Limited	Directly beneficially owned	167,832,000	52.9%
Char On Man	Directly beneficially owned	57,065,000	18.0%

The above interest has also been disclosed as an interest of Char On Man 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.



# REPORT OF THE DIRECTORS

## *Biographical details of directors and senior management*

### **Executive directors**

Mr. Char On Man, aged 53, is the Chairman and Managing Director since August 1978. He is also the founder of the Group. Mr. Char is responsible for the strategic planning, corporate policy and overall management. He is also responsible for the procurement and trading of fur pelts as well as the overall operations of the fur product business. He has over 30 years of experience in the leather and fur business. He is now a director of the Hong Kong Fur Federation as well as the Shenzhen Leather Trades Association.

Ms. So Choi Hing, Stella, aged 52, is the director of sales of the Group. She is responsible for the sales and marketing of leather and fabric garments and for the Group's overall administrative operations. She has been with the Group since September 1981.

Mr. Li Wing Tak, aged 48, is the director of finance, Company Secretary and Qualified Accountant of the Group. He holds a bachelor's degree in economics with a major in Accounting from Macquarie University in Australia. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. He has more than 20 years of experience in auditing, finance and accounting. Prior to joining the Group in March 1994, Mr. Li served as the regional financial controller for two overseas listed multinational corporations.

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

Mr. Woo, Michael, aged 61, is the managing director of Europe Fur Co., Ltd., Europe Fashions Ltd., Dongguan Mayfair Fashions Ltd. and Mayfur Canada Inc. He was the chairman of the Hong Kong Fur Federation and is currently its honorary advisor. He joined the Group as a director in August 1996.

Mr. Ho Wai Chi, Paul, aged 55, is the sole proprietor of Paul W. C. Ho & Company, Certified Public Accountants (Practising), and is an associate member of the Institute of Chartered Accountants in England and Wales, the United Kingdom and a fellow member of the Hong Kong Institute of Certified Public Accountants. He also holds directorships as independent non-executive director of companies listed on the Main Board of the Stock Exchange which included China Star Entertainment Limited, Ngai Hing Hong Company Limited and Riche Multi-Media Holdings Limited. He joined the Group as a director in February 1997.

Mr. Chen Yeh Ming, Steve, aged 58, holds directorships in companies engaging in various businesses such as investment holding, trading and manufacturing. He is the managing director of Broadway Fur & Fashion Limited. He was the chairman of the Hong Kong Fur Federation. He joined the Group as a director on 16 September 2004.

### **Senior management**

Mr. Au Hung, aged 51, is the general manager of the Group's factory in the People's Republic of China (the "PRC"). He has more than 30 years' experience in the leather and fur industries and has in-depth knowledge of the manufacturing, distribution and trading of leather and fur products in the PRC market. He joined the Group in October 1975.

Mr. Choi Hing Yee, aged 48, is the assistant general manager of the Group in the PRC. He joined the Group in August 1991. He has over 20 years' experience in the marketing of fur and leather products. He is responsible for the Group's manufacturing and trading of fur products.



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## *Biographical details of directors and senior management (continued)*

Mr. Chan Ching Kwan, aged 54, is the manager of the Group's factory in the PRC. He joined the Group in March 1988 and has more than 30 years' experience in the production of leather garments. He is responsible for the Group's manufacturing operations of leather garments.

Miss Char, Danielle, aged 25, is the marketing manager and is responsible for the overall marketing and design of the Group. She was promoted to become a director of Peking Fur Factory (Hong Kong) Limited ("Peking Fur"), a subsidiary of the Company, in June 2005. Miss Char graduated from the University of Michigan in the United States with a Bachelor of Science degree in Architecture. She joined the Group in July 2003 and is the daughter of Mr. Char On Man.

Ms. Zhang Chun Wei, aged 47, the assistant general manager of the Group in the PRC, joined the Group's factory in March 1998 as the head of the fabric garments production. She was responsible for the factory's overall personnel and administration and production planning. Prior to joining the Group, she had been in the garment manufacturing industry for about 20 years. She left the Group in May 2005.

Mr. Wan Ting Shing, aged 49, was a sales manager and was responsible for the Group's garment sales operation in the PRC. He joined the Group in August 2002 and has more than 20 years' sales and management experience in the garment field. Mr. Wan graduated from the Aston University of Birmingham, the United Kingdom with a Master degree in Business Administration. He left the Group in October 2005.

## *Sufficiency of public float*

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

### **Char On Man**

*Chairman and Managing Director*

Hong Kong  
17 July 2006