

The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2007.

### **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 28 to the financial statements. During the year under review, there were no significant changes in the Group's principal activities.

### **RESULTS**

The results of the Group are set out in the consolidated income statement on page 26.

### **SHARE CAPITAL**

The details of movements in the Company's share capital during the year are set out in note 21 to the financial statements.

### **PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group spent approximately HK\$45,246,000 on acquisition of property, plant and equipment. The details of the movements in property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

### **DISTRIBUTABLE RESERVES OF THE COMPANY**

The Company had no reserves available for distribution at 31 March 2007.

## DIRECTORS

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

### Executive directors:

Tse Wing Chiu, Ricky – *Chairman and Chief Executive Officer*

Lui Yuk Chu – *Deputy Chairman*

Kwong Jimmy Cheung Tim (re-designated from independent non-executive director to executive director on 2 April 2007)

### Independent non-executive directors:

Kan Ka Hon

Lau Sin Ming

Foo Tak Ching (appointed on 2 April 2007)

In accordance with the Company's Bye-law 99, Ms. Lui Yuk Chu will retire from office at the forthcoming annual general meeting of the Company by rotation and, being eligible, has offered herself for re-election.

In accordance with the Company's Bye-law 102(B), Mr. Foo Tak Ching will hold office until the forthcoming annual general meeting of the Company and, being eligible, has offered himself for re-election.

The independent non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws.

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

None of the directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

## CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

There was no contract of significance between the Company or its subsidiaries and a controlling shareholder or any of its subsidiaries subsisting during or at the end of the year. Furthermore, there was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2007, the interests and short positions of the directors and the chief executives of the Company and their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under 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:

Interests in the Company:

Name of director	Capacity	Number of ordinary shares held (long position)	Approximate percentage to issued ordinary shares of the Company
Ms. Lui Yuk Chu ( <i>Note</i> )	Beneficiary of a trust	1,410,852,520	35.93%

*Note:* These shares were registered in the name of and were beneficially owned by Landmark Profits Limited which was a wholly-owned subsidiary of Easykmit International Holdings Limited ("Easykmit International"). Magical Profits Limited was interested in approximately 36.74% of the issued share capital of Easykmit International. Magical Profits Limited was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Trustcorp Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu and her family members other than her spouse).

Save as disclosed above, as at 31 March 2007, none of the directors or chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register 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.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the Company's share option schemes are set out in note 22 to the financial statements.

No share options were granted to, or exercised by, the directors during the year. There was no outstanding option granted to the directors at the beginning and at the end of the year.

Save as disclosed above, at no time during the year ended 31 March 2007 was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2007, the persons (other than the directors or the chief executives of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity	Number of ordinary shares held (long position)	Approximate percentage to issued ordinary shares of the Company
Koon Wing Yee ( <i>note i</i> )	Interest of spouse	1,410,852,520	35.93%
Landmark Profits Limited ( <i>notes i and ii</i> )	Beneficial owner	1,410,852,520	35.93%
Easyknit International ( <i>notes i and ii</i> )	Interest of controlled corporation	1,410,852,520	35.93%
Magical Profits Limited ( <i>notes i and iii</i> )	Interest of controlled corporation	1,410,852,520	35.93%
Accumulate More Profits Limited ( <i>notes i and iii</i> )	Interest of controlled corporation	1,410,852,520	35.93%
Trustcorp Limited ( <i>notes i and iv</i> )	Trustee	1,410,852,520	35.93%
Newcorp Ltd. ( <i>note iv</i> )	Interest of controlled corporation	1,410,852,520	35.93%
Newcorp Holdings Limited ( <i>note iv</i> )	Interest of controlled corporation	1,410,852,520	35.93%
David Henry Christopher Hill ( <i>note iv</i> )	Interest of controlled corporation	1,410,852,520	35.93%
David William Roberts ( <i>note iv</i> )	Interest of controlled corporation	1,410,852,520	35.93%
Rebecca Ann Hill ( <i>note iv</i> )	Interest of spouse	1,410,852,520	35.93%
Au Yeung Man Yin	Beneficial owner	297,624,130	7.58%

*Notes:*

- (i) The 1,410,852,520 shares relate to the same block of shares in the Company. These shares were registered in the name of and were beneficially owned by Landmark Profits Limited which was a wholly-owned subsidiary of Easyknit International. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of Easyknit International. Magical Profits Limited was wholly-owned by Accumulate More Profits Limited which in turn was wholly-owned by Trustcorp Limited as trustee of The Magical 2000 Trust (the beneficiaries of which included Ms. Lui Yuk Chu, a director of the Company, and her family members other than her spouse). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, was deemed to be interested in the 1,410,852,520 shares by virtue of the SFO.
- (ii) Mr. Tse Wing Chiu, Ricky and Ms. Lui Yuk Chu, being the directors of the Company, are also directors of Landmark Profits Limited and Easyknit International.
- (iii) Ms. Lui Yuk Chu, being a director of the Company, is also a director of Magical Profits Limited and Accumulate More Profits Limited.
- (iv) Trustcorp Limited was a wholly-owned subsidiary of Newcorp Ltd.. Newcorp Ltd. was wholly-owned by Newcorp Holdings Limited. Each of Mr. David Henry Christopher Hill and Mr. David William Roberts was interested in 35% of the issued share capital of Newcorp Holdings Limited. Mrs. Rebecca Ann Hill, being the spouse of Mr. David Henry Christopher Hill, was deemed to be interested in the 1,410,852,520 shares by virtue of SFO.

Save as disclosed above, as at 31 March 2007, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

### **MAJOR SUPPLIERS AND CUSTOMERS**

During the year, the five largest suppliers of the Group accounted for approximately 74% of the Group's purchases and the largest supplier accounted for approximately 45% of the Group's purchases.

The five largest customers of the Group accounted for approximately 86% of the Group's turnover and the largest customer accounted for approximately 23% of the Group's turnover.

None of the directors, their associates and shareholders of the Company (which to the knowledge of the directors of the Company, own more than 5% of the Company's share capital) have an interest in the Group's five largest suppliers or customers.

### **PURCHASE, SALE AND REDEMPTION OF SHARES**

There was no purchase, sale and redemption of the Company's shares by the Company or any of its subsidiaries during the year ended 31 March 2007.

**EMOLUMENT POLICY**

The emolument policy of the employees of the Group is set up by the executive directors of the Company on the basis of their performance, experience and prevailing industry practice.

The emolument of the directors of the Company is determined by the Board after recommendation from the Remuneration Committee, having regard to the time commitment and responsibilities of individual directors, the Company's performance and the prevailing market conditions.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 22 to the financial statements.

**PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

**SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of its directors as at the date of this report, the Company has maintained a sufficient public float as required under the Listing Rules.

**AUDITOR**

A resolution will be submitted to the annual general meeting of the Company to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

**Tse Wing Chiu, Ricky**

*Chairman and Chief Executive Officer*

Hong Kong, 21 June 2007