

Report of the Directors

The directors of the Company (“Directors”) are pleased to present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 36 to the consolidated financial statements on pages 68 to 69 of this annual report.

CHANGE OF NAME OF THE COMPANY

On 3 June 2006, the name of the Company was changed from Zida Computer Technologies Limited to Henry Group Holdings Limited.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2007 and the state of affairs of the Group and the Company at that date are set out in the consolidated financial statements on pages 24 to 69 of this annual report.

The Directors do not recommend the payment of a dividend.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out on pages 27 and 58 to 59 of this annual report respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 70 of this annual report.



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DIRECTORS

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

Executive Directors

Mr. Ng Chun For, Henry (*Chairman*)
Mr. Ng Ian (*Deputy Chairman and Chief Executive Officer*)
Mr. Chan Kwai Ping, Albert

Non-executive Directors

Mr. Cheng Yuk Wo (*appointed as Vice Chairman and re-designated as non-executive director on 4 April 2007*)
Mr. Mak Wah Chi

Independent non-executive Directors

Mr. Li Kit Chee (*appointed on 4 April 2007*)
Mr. Ng Hoi Yue
Mr. Tsang Kwok Ming, Rock

In accordance with the Company's Bye-laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Mr. Ng Chun For, Henry, Mr. Ng Ian, Mr. Cheng Yuk Wo, Mr. Ng Hoi Yue, Mr. Li Kit Chee and Mr. Tsang Kwok Ming, Rock will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are 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' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest customers was approximately 26.7% of the Group's total turnover and the Group's largest customer accounted for approximately 10.6% of the Group's total turnover.

The aggregate purchase attributable to the Group's five largest suppliers during the year accounted for approximately 30.1% of the total cost of sales of the Group and the largest supplier accounted for approximately 8.6% of the total cost of sales of the Group.

None of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in major customers or suppliers noted above.

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VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

On 30 April 2007, Rose City Group Limited, an indirect wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement") with Jumbo Step International Limited ("Jumbo Step"), a company wholly-owned by Mr. Ng Chun For, Henry, a director and one of the ultimate beneficial owners of Henry Jewellery Holdings Limited, the controlling shareholder of the Company, in relation to the acquisition of Jardine Center (the "Acquisition"). Pursuant to the Agreement, the aggregate consideration for the Acquisition amounted to approximately HK\$244.0 million and was satisfied by a combination of taking up Jumbo Step's indebtedness of approximately HK\$54.8 million, issue and allotment of 61,296,333 consideration shares amounted to approximately HK\$60.1 million and an issue of a 5-year convertible note with the principal amount of approximately HK\$129.1 million. The Acquisition was approved by independent shareholders of the Company at the special general meeting held on 14 June 2007 and completion of the Acquisition took place on 25 June 2007. Further details of the Acquisition were set out in the Company's announcements dated 9 May 2007 and 14 June 2007 and the circular dated 30 May 2007.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the related party transactions, which also constituted connected transactions exempted from the reporting, announcement and independent shareholders approval requirements under the Listing Rules, are disclosed in note 33 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 March 2007, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were 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 (including interests or short positions which they were taken or deemed to have under such provisions 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, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

(I) Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

(a) Long positions in ordinary shares of HK\$0.1 each of the Company

| Name of Director | Capacity and nature of interest | Number of issued ordinary shares held | Approximate percentage of issued share capital of the Company |
|--------------------------------------|--------------------------------------|---------------------------------------|---|
| Mr. Ng Chun For, Henry ("Mr. Ng") | Interest of a controlled corporation | 152,618,000 (Note) | 67.89% |

Note:

Mr. Ng owned 152,618,000 shares of the Company through Henry Jewellery Holdings Limited, a company incorporated in the British Virgin Islands ("HJHL") (formerly known as True Ever Group Limited). Mr. Ng is entitled to exercise or control the exercise of one-third or more of the voting rights of HJHL so he is deemed to be interested in all shares held by HJHL by virtue of the SFO.



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(b) *Long positions in underlying shares of the Company*

As at 31 March 2007, the Directors had personal interests in share options of the Company granted under the share option scheme adopted on 3 September 2003 as follows:

| Name of Director | Option grant date | Exercise period | Exercise price HK\$ | Number of share options outstanding | Approximate percentage of interest in issued share capital |
|----------------------------|-------------------|------------------------------------|------------------------|-------------------------------------|--|
| Mr. Ng | 28 October 2005 | 28 October 2005 to 27 October 2015 | 0.676 | 2,000,000 | 0.89% |
| Mr. Ng Ian | 28 October 2005 | 28 October 2005 to 27 October 2015 | 0.676 | 2,000,000 | 0.89% |
| Mr. Chan Kwai Ping, Albert | 28 October 2005 | 28 October 2005 to 27 October 2015 | 0.676 | 2,000,000 | 0.89% |
| | | | | 6,000,000 | |

(II) **Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Associated Corporations of the Company**

Long positions in the shares of the associated corporation of the Company:

| Name of Director | Name of associated corporation | Capacity and nature of interest | Number of issued ordinary shares held | Approximately percentage of issued share capital of the associated corporation |
|----------------------------|--------------------------------|---------------------------------|---------------------------------------|--|
| Mr. Ng | HJHL | Personal beneficial owner | 70 | 70% |
| Mr. Ng Ian | HJHL | Personal beneficial owner | 10 | 10% |
| Mr. Chan Kwai Ping, Albert | HJHL | Personal beneficial owner | 10 | 10% |

Save as disclosed above, as at 31 March 2007, none of the Directors or chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including

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interests or short positions which they were taken or deemed to have under such provisions 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.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, as at 31 March 2007, shareholders who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of HK\$0.1 each of the Company

| Name of shareholder | Capacity and nature of interest | Number of issued ordinary shares held | Approximate percentage of issued share capital of the Company |
|----------------------------|--|--|--|
| Mr. Ng | Interest of a controlled corporation (<i>Note</i>) | 152,618,000 | 67.89% |
| HJHL | Beneficial owner | 152,618,000 | 67.89% |

Note:

Mr. Ng owned 152,618,000 shares of the Company through Henry Jewellery Holdings Limited, a company incorporated in the British Virgin Islands ("HJHL") (formerly known as True Ever Group Limited). Mr. Ng is entitled to exercise or control the exercise of one-third or more of the voting rights of HJHL so he is deemed to be interested in all shares held by HJHL by virtue of the SFO.

Save as disclosed above, as at 31 March 2007, the Company had not been notified by any person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.



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SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 31 to the consolidated financial statements.

The following table discloses details of share options outstanding under the Company's 2003 share option scheme adopted on 3 September 2003 and movement during the year:

| Name of Grantee | Note | Date of grant of share options | Exercise price HK\$ | Number of share options | | | | |
|---------------------------------------|------|--------------------------------|------------------------|--------------------------------------|-------------------------|-----------------------------------|---------------------------|--------------------------------|
| | | | | Outstanding at beginning of the year | Granted during the year | Lapsed/ cancelled during the year | Exercised during the year | Outstanding at end of the year |
| Mr. Ng Chun For, Henry (Director) | (1) | 28 October 2005 | 0.676 | 2,000,000 | — | — | — | 2,000,000 |
| Mr. Ng Ian (Director) | (1) | 28 October 2005 | 0.676 | 2,000,000 | — | — | — | 2,000,000 |
| Mr. Chan Kwai Ping, Albert (Director) | (1) | 28 October 2005 | 0.676 | 2,000,000 | — | — | — | 2,000,000 |
| Eligible person | (1) | 28 October 2005 | 0.676 | 1,280,000 | — | — | — | 1,280,000 |
| | | | | 7,280,000 | — | — | — | 7,280,000 |

Note:

(1) The exercise period is 28 October 2005 to 27 October 2015.

Apart from the foregoing, at no time during the year was the Company, its holding Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SHARE

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would obligate the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as required under the Listing Rules during the year.

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POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 34 to the consolidated financial statements.

AUDITOR

During the year end 31 March 2005, Deloitte Touche Tohmatsu resigned as auditors of the Company and Horwath Hong Kong CPA Limited was appointed by the Directors to fill the casual vacancy. There have been no other changes of auditors in the past three years.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Horwath Hong Kong CPA Limited as auditor of the Company.

On behalf of the Board

Ng Ian

Deputy Chairman and Chief Executive Officer

Hong Kong, 11 July 2007