

Report of the Directors

The directors have pleasure in presenting their report together with the audited consolidated financial statements of the Company and its subsidiaries ("Group") for the year ended 31st March 2007.

Principal activities and segment analysis of operations

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the retailing and wholesaling of cosmetic products and the provision of beauty and health club services.

An analysis of the Group's turnover and results for the year by business segments and geographical areas of operation is set out in Note 5 to the consolidated financial statements.

Results and appropriations

The results for the year are set out in the consolidated income statement on page 91.

An interim dividend of 3.0 HK cents (2006: 3.0 HK cents) per share and a special dividend of 3.0 HK cents (2006: 3.0 HK cents) per share were paid on 28th December 2006. The directors recommend the payment of a final dividend of 5.0 HK cents (2006: 5.0 HK cents) per share and a special dividend of 6.0 HK cents (2006: 6.0 HK cents) per share. Total dividends paid and declared in respect of the year ended 31st March 2007 amounted to HK\$232,397,000.

Financial summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out as follows:

	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2,889,237	2,620,586	2,313,706	1,883,334	1,641,385
Operating profit	247,288	205,092	233,259	167,593	78,543
Profit before income tax	271,504	222,610	245,616	179,944	92,787
Income tax expense	(49,711)	(37,439)	(43,560)	(34,087)	(33,478)
Minority interest	–	–	–	–	8,913
Profit for the year, attributable to equity holders of the Company	221,793	185,171	202,056	145,857	68,222
Total assets	1,422,580	1,371,640	1,366,471	1,216,083	1,115,345
Total liabilities	(471,990)	(457,813)	(456,425)	(367,712)	(356,282)
Net assets	950,590	913,827	910,046	848,371	759,063
Return on equity	23.33%	20.26%	22.20%	17.19%	8.99%
Working capital ratio	2.64	2.61	2.63	3.03	2.70
Stock turnover days	90	89	101	90	89

Major customers and suppliers

The aggregate percentage of sales and purchases attributable to the Group's five largest customers and suppliers respectively are less than 30% of the total sales and purchases for the year.

Reserves

Details of the movements in reserves of the Group and the Company during the year are set out in Note 27 to the consolidated financial statements.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 14 to the consolidated financial statements.

Share capital

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

Share options

(I) Share option schemes

1997 Share Option Scheme

The Company adopted a share option scheme on 22nd May 1997 ("1997 Share Option Scheme"). In view of the changes of Chapter 17 of the rules ("Listing Rules") governing the listing of securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") which govern the operation of share option schemes, the Company adopted a new share option scheme on 29th August 2002 ("2002 Share Option Scheme") and the operation of the 1997 Share Option Scheme was terminated on the same day. A summary of the 1997 Share Option Scheme is set out below:-

(a) Purpose

The 1997 Share Option Scheme was adopted and became effective on 22nd May 1997 for the purpose of providing incentives to directors and eligible employees by the granting of share options.

(b) Participants

Under the 1997 Share Option Scheme, options may be granted to any full time employee (including full time executive directors) of the Company or its subsidiaries.

(c) Total number of shares available for issue

(i) The maximum number of shares in respect of which options may be granted under the 1997 Share Option Scheme shall not (when aggregated with any securities subject to any other share option scheme(s) of the Company and/or its subsidiary) exceed 10% of the issued share capital of the Company from time to time (excluding the aggregate number of shares issued pursuant to the 1997 Share Option Scheme).

(ii) As at 28th June 2007, the total number of shares available for issue under the 1997 Share Option Scheme was 366,000 shares, which represented 0.03% of the total issued share capital of the Company at that date.

Report of the Directors

Share options *(continued)*

(I) Share option schemes *(continued)*

1997 Share Option Scheme (continued)

(d) Maximum entitlement of each Participant

The maximum entitlement of each participant (together with any shares issued in respect of options which have been exercised by that participant and any shares which would be issued upon the exercise of outstanding options granted to that participant) shall not exceed 25% of the aggregate number of shares in respect of the Company subject to the 1997 Share Option Scheme at the time it was proposed to grant the relevant option to such participant.

(e) Option Period

The period commencing on the date upon which such option is deemed to be granted and accepted in accordance with the 1997 Share Option Scheme and expiring on such date as may be determined by the board of directors ("Board") which shall not be later than 10th anniversary of the acceptance date of such option.

(f) Minimum period for which an option must be held before it can be exercised

The minimum period, if any, for which an option must be held before it can be exercised is determined by the Board from time to time.

(g) Consideration on acceptance of the option

HK\$1.00 is required to be paid by the grantee to the Company on acceptance of the option offer.

(h) Basis of determining the exercise price

The exercise price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of the nominal value of the share and 80% of the average of the closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of offer of the option. Effective from 1st September 2001, the exercise price must be at least the higher of (i) the closing price of the shares on the date of option grant, which must be a business day, and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant in accordance with paragraph 17.03 of the Listing Rules.

(i) Remaining life of the 1997 Share Option Scheme

The operation of the 1997 Share Option Scheme was terminated on 29th August 2002 (such that no further options could be offered under the 1997 Share Option Scheme) but the provisions of the 1997 Share Option Scheme continued to govern options granted under that scheme up to and including 28th August 2002.

Share options (continued)

(I) Share option schemes (continued)

1997 Share Option Scheme (continued)

(i) Remaining life of the 1997 Share Option Scheme (continued)

Details of the share options granted under the 1997 Share Option Scheme and their movements during the year are set out below:–

Name	Date of grant	Exercise price per share (HK\$)	Exercisable period	Vesting period (from the date of grant)	*Closing price per share immediately before the date on which the options were exercised (HK\$)	Number of Share Options				Outstanding as at 31st March 2007
						Outstanding as at 1st April 2006	Granted during the year	Exercised during the year	[†] Lapsed during the year	
Employees Under Continuous Employment Contract	9th September 1997	1.90	9th September 1998 to 8th September 2007	1 year	2.63 (AVG)	580,000	–	(174,000)	–	406,000
						580,000	–	(174,000)	–	406,000

* The weighted average closing price ("AVG") is shown where appropriate.

[†] There is no share option cancelled during the year.

2002 Share Option Scheme

A summary of the 2002 Share Option Scheme is set out below:–

(a) Purpose

To provide Participants (as defined below) with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

(b) Participants

Any directors (including executive, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board or a duly authorised committee thereof considers, in its sole discretion, have contributed to the Group.

(c) Total number of shares available for issue

- (i) The maximum number of shares in respect of which options may be granted under the 2002 Share Option Scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) exceed 126,830,117 being 10% of the issued share capital of the Company on 29th August 2002, the date on which the 2002 Share Option Scheme was adopted ("Scheme Mandate Limit"). Options lapsed in accordance with the terms of the 2002 Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

Report of the Directors

Share options *(continued)*

(I) Share option schemes *(continued)*

2002 Share Option Scheme (continued)

(c) Total number of shares available for issue *(continued)*

- (ii) The Scheme Mandate Limit may be renewed at any time subject to prior shareholders' approval but in any event shall not exceed 10% of the issued share capital of the Company as at the date of approval of the renewal of the Scheme Mandate Limit. Options previously granted under the 2002 Share Option Scheme or any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.
- (iii) The maximum number of shares in respect of which options may be granted to grantees under the 2002 Share Option Scheme and other share option schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.
- (iv) As at 28th June 2007, the total number of shares available for issue under the 2002 Share Option Scheme was 148,403,919 shares, which represented 10.82% of the total issued share capital of the Company at that date.

(d) Maximum entitlement of each Participant

The maximum number of shares in respect of which options may be granted under the 2002 Share Option Scheme to a specifically identified single grantee shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) in any 12-month period exceed 1% of the shares of the Company in issue ("Individual Limit").

The Company may grant options beyond the Individual Limit to a Participant if (i) the Company has first sent a circular to shareholders containing the identity of the Participant in question, the number and terms of the options granted and to be granted and other relevant information as required under the Listing Rules; and (ii) separate shareholder's approval has been obtained.

(e) Option Period

The period within which the shares must be taken up under an option shall be notified by the Board to each grantee at the time of making an offer which shall not expire later than 10 years from the date of grant of the relevant option.

(f) Minimum period for which an option must be held before it can be exercised

The minimum period, if any, for which an option must be held before it can be exercised shall be determined by the Board in its absolute discretion. The 2002 Share Option Scheme itself does not specify any minimum holding period.

(g) Consideration on acceptance of the option

HK\$1.00 is required to be paid by the grantee to the Company on acceptance of the option offer.

(h) Basis of determining the subscription price

The subscription price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:-

- (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant;

Share options (continued)

(I) Share option schemes (continued)

2002 Share Option Scheme (continued)

(h) Basis of determining the subscription price (continued)

(ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

(i) Remaining life of the 2002 Share Option Scheme

The 2002 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption and will expire on 29th August 2012.

Details of the share options granted under the 2002 Share Option Scheme and their movements during the year are set out below:—

							Number of Share Options				
Name	Date of grant	Subscription price per share (HK\$)	Closing price per share immediately on which the options were granted (HK\$)	Exercisable period	Vesting period (from the date of grant)	*Closing price per share immediately before the date on which the options were exercised (HK\$)	Outstanding	Granted	Exercised	*Lapsed	Outstanding
							as at 1st April 2006	during the year	during the year	during the year	as at 31st March 2007
Directors											
Mr. LOOK, Guy	26th May 2006	2.965	2.95	28th February 2007 to 25th May 2016	0.75 year	-	-	2,248,141	-	-	2,248,141
				29th February 2008 to 25th May 2016	1.75 years	-	-	2,248,141	-	-	2,248,141
				28th February 2009 to 25th May 2016	2.75 years	-	-	2,248,140	-	-	2,248,140
				note (1)	note (1)	-	-	2,248,141	-	-	2,248,141
				note (1)	note (1)	-	-	2,248,141	-	-	2,248,141
				note (1)	note (1)	-	-	2,248,140	-	-	2,248,140
Ms. TAM, Wai Chu, Maria	29th June 2004	3.00	-	29th June 2005 to 28th June 2014	1 year	-	1,000,000	-	-	-	1,000,000
Employees Under											
Continuous	1st September 2003	1.81	-	note (2)	note (2)	-	133,333	-	-	(133,333)	-
	2nd October 2003	1.88	-	note (3)	note (3)	-	333,333	-	-	-	333,333
Employment Contract	2nd October 2003	1.88	-	note (3)	note (3)	-	333,333	-	-	-	333,333
	30th October 2003	1.68	-	30th October 2004 to 29th October 2013	1 year	2.91 (AVG)	743,283	-	(223,841)	-	519,442
	30th October 2003	1.68	-	30th October 2005 to 29th October 2013	2 years	2.93 (AVG)	5,298,532	-	(2,962,389)	-	2,336,143
	30th October 2003	1.68	-	30th October 2006 to 29th October 2013	3 years	2.75 (AVG)	12,472,230	-	(7,046,232)	(272,332)	5,153,666
	30th October 2003	1.68	-	note (5)	note (5)	2.82 (AVG)	1,959,364	-	(590,000)	(28,000)	1,341,364

Report of the Directors

Share options (continued)

(I) Share option schemes (continued)

2002 Share Option Scheme (continued)

Name	Date of grant	Subscription price per share (HK\$)	Closing price per share immediately on which the options were granted (HK\$)	Exercisable period	Vesting period (from the date of grant)	*Closing price per share immediately before the date on which the options were exercised (HK\$)	Number of Share Options				Outstanding as at 31st March 2007
							Outstanding as at 1st April 2006	Granted during the year	Exercised during the year	*Lapsed during the year	
Employees Under Continuous Employment Contract (continued)	30th October 2003	1.68	-	note (5)	note (5)	2.68 (AVG)	10,538,042	-	(1,877,697)	(6,677,042)	1,983,303
	30th October 2003	1.68	-	30th October 2006 to 29th October 2013	3 years	2.72 (AVG)	10,537,908	-	(3,620,236)	(154,666)	6,763,006
	4th December 2003	1.90	-	1st December 2006 to 3rd December 2013	3 years from date of employment	-	1,000,000	-	-	(1,000,000)	-
	4th December 2003	1.90	-	note (6)	note (6)	-	1,000,000	-	-	(1,000,000)	-
	20th January 2004	2.80	-	20th January 2007 to 19th January 2014	3 years	-	66,666	-	-	(66,666)	-
	20th January 2004	2.80	-	note (7)	note (7)	-	34,000	-	-	(34,000)	-
	20th January 2004	2.80	-	note (7)	note (7)	-	66,667	-	-	(66,667)	-
	1st March 2004	2.85	-	14th January 2007 to 28th February 2014	3 years from date of employment	-	183,333	-	-	-	183,333
	1st March 2004	2.85	-	note (8)	note (8)	-	183,333	-	-	(98,333)	85,000
	3rd March 2004	2.78	-	5th July 2007 to 2nd March 2014	3 years from date of employment	-	333,333	-	-	-	333,333
	3rd March 2004	2.78	-	note (9)	note (9)	-	333,333	-	-	(193,333)	140,000
	3rd March 2004	2.78	-	note (9)	note (9)	-	302,000	-	-	-	302,000
	2nd August 2004	3.12	-	28th July 2007 to 1st August 2014	3 years from date of employment	-	183,333	-	-	-	183,333
	2nd August 2004	3.12	-	note (10)	note (10)	-	183,333	-	-	(143,333)	40,000
	2nd August 2004	3.12	-	note (10)	note (10)	-	98,000	-	-	-	98,000
	1st December 2004	3.85	-	13th September 2007 to 30th November 2014	3 years from date of employment	-	116,667	-	-	-	116,667
	1st December 2004	3.85	-	note (11)	note (11)	-	26,000	-	-	-	26,000
	1st December 2004	3.85	-	note (11)	note (11)	-	116,667	-	-	(116,667)	-

Share options (continued)

(I) Share option schemes (continued)

2002 Share Option Scheme (continued)

Name	Date of grant	Subscription price per share (HK\$)	Closing price per share immediately on which the options were granted (HK\$)	Exercisable period	Vesting period (from the date of grant)	*Closing price per share immediately before the date on which the options were exercised (HK\$)	Number of Share Options				
							Outstanding as at 1st April 2006	Granted during the year	Exercised during the year	*Lapsed during the year	Outstanding as at 31st March 2007
Employees Under Continuous Employment Contract (continued)	1st December 2004	3.85	-	2nd December 2004 to 30th November 2014	-	-	278,666	-	-	-	278,666
	1st December 2004	3.85	-	30th October 2005 to 30th November 2014	2 years from 20th October 2003	-	278,667	-	-	-	278,667
	1st December 2004	3.85	-	30th October 2006 to 30th November 2014	3 years from 20th October 2003	-	278,667	-	-	-	278,667
	1st December 2004	3.85	-	1st October 2007 to 30th November 2014	3 years from 1st October 2004	-	66,666	-	-	-	66,666
	1st December 2004	3.85	-	note (12)	note (12)	-	26,000	-	-	-	26,000
	1st December 2004	3.85	-	note (12)	note (12)	-	66,666	-	-	(41,666)	25,000
	22nd December 2004	4.15	-	22nd December 2007 to 21st December 2014	3 years from date of employment	-	183,333	-	-	-	183,333
	22nd December 2004	4.15	-	note (13)	note (13)	-	183,333	-	-	(151,333)	32,000
							48,938,021	13,488,844	(16,320,395)	(10,177,371)	35,929,099

* The weighted average closing price ("AVG") is shown where appropriate.

There is no share option cancelled during the year.

Notes:

- (1) The exercise of the share options is subject to certain performance targets that must be achieved by the director. The share options shall be exercised by the director not later than 25th May 2016.
- (2) The exercise of the share options is subject to certain performance targets that must be achieved by the employee. The share options shall be exercised by the employee not later than 31st August 2013.
- (3) The exercise of the share options is subject to certain performance targets that must be achieved by the employee. The share options shall be exercised by the employee not later than 1st October 2013.

Report of the Directors

Share options (continued)

(I) Share option schemes (continued)

2002 Share Option Scheme (continued)

Notes: (continued)

- (4) On 30th October 2003, the Company granted share options to employees who had completed a minimum of 5 years of employment with the Group as at 30th September 2003 to subscribe for shares at a subscription price of HK\$1.68 per share in order to reward them for contributing to the long term success of the business of the Group and to encourage and motivate them to continue to contribute to the success of the business of the Group.
- (5) On 30th October 2003, the Company granted share options to employees of the Company who are of managerial level or above to subscribe for shares at a subscription price of HK\$1.68 per share in order to encourage and motivate them to continue to contribute to the success of the business of the Group. The exercise of the share options is subject to certain performance targets that must be achieved by the employees.
- (6) The exercise of the share options is subject to certain performance targets that must be achieved by the employee. The share options shall be exercised by the employee not later than 3rd December 2013.
- (7) The exercise of the share options is subject to certain performance targets that must be achieved by the employee. The share options shall be exercised by the employee not later than 19th January 2014.
- (8) The exercise of the share options is subject to certain performance targets that must be achieved by the employee. The share options shall be exercised by the employee not later than 28th February 2014.
- (9) The exercise of the share options is subject to certain performance targets that must be achieved by the employee. The share options shall be exercised by the employee not later than 2nd March 2014.
- (10) The exercise of the share options is subject to certain performance targets that must be achieved by the employee. The share options shall be exercised by the employee not later than 1st August 2014.
- (11) The exercise of the share options is subject to certain performance targets that must be achieved by the employee. The share options shall be exercised by the employee not later than 30th November 2014.
- (12) The exercise of the share options is subject to certain performance targets that must be achieved by the employee. The share options shall be exercised by the employee not later than 30th November 2014.
- (13) The exercise of the share options is subject to certain performance targets that must be achieved by the employee. The share options shall be exercised by the employee not later than 21st December 2014.

The weighted average fair value of options granted during the year ended 31st March 2007 determined using the binomial lattice model, prepared by Watson Wyatt Hong Kong Limited, was HK\$0.76 per option (2006: Nil). The significant inputs into the model were share price of HK\$2.825 at the grant date, exercise price of HK\$2.965, volatility of 38%, dividend yields of 5%, an expected option life of 6 years and on annual risk-free interest rate of 4.71%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last 6 years. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

Share options (continued)

(II) Share options under an ex-director's service agreement

The Company granted to Mr. KING, Roger ("Mr. KING"), an ex-director of the Company, share options in accordance with the terms set out in a service agreement entered between the Company and Mr. KING on 2nd August 1999 ("Service Agreement") which was approved by the shareholders of the Company at an extraordinary general meeting held on 14th September 1999. Details of share options granted under the Service Agreement and their movements during the year were set out below:—

Date of grant	Subscription price per share (HK\$)	Exercisable period	Vesting period	Closing price per share immediately before the date on which the options were exercised (HK\$)	Number of Share Options				
					Outstanding as at 1st April 2006	Granted during the year	Exercised during the year	#Lapsed during the year	Outstanding as at 31st March 2007
14th September 1999 to 9th May 2002 (Note 1)	0.928	14th September 1999 to 2nd February 2007	—	3.80	5,013,587	—	(5,012,000)	(1,587)	—

There is no share option cancelled during the year.

Note:

(1) The dates of grant were summarized due to various grants of options under the Service Agreement.

The accounting policy adopted for the share options is described in note 2(p)(iv) to the consolidated financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association ("Articles of Association") and there are no restrictions against such rights under the laws in the Cayman Islands.

Purchase, sale or redemption of shares

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Subsidiaries

Details of the Company's principal subsidiaries as at 31st March 2007 are set out in Note 31 to the consolidated financial statements.

Bank loans and overdrafts

As at 31st March 2007, the Group has neither bank loans nor overdrafts.

Capitalised interests

No interest was capitalised by the Group during the year.

Report of the Directors

Distributable reserves

As at 31st March 2007, the reserves of the Company available for distribution amounted to HK\$757,268,000.

Donations

The Group made donations during the year totaling HK\$1,200,000, details of which are set out in the “Corporate Social Responsibility” in page 32 of this annual report.

Directors and service contracts

The directors who held office during the year and up to the date of this report were:-

Executive directors

Mr. KWOK, Siu Ming, Simon (Chairman and Chief executive officer (“CEO”))

Mrs. KWOK LAW, Kwai Chun, Eleanor (Vice-chairman)

Mr. LOOK, Guy (Chief financial officer (“CFO”) and qualified accountant)

Non-executive director

Mrs. LEE LOOK, Ngan Kwan, Christina

- re-designated from an independent non-executive director to a non-executive director for a term of three years commencing 24th June 2004. Term of directorship extended for a further term of three years commencing 24th June 2007

Independent Non-Executive Directors

Professor CHAN, Yuk Shee, J.P.

- term of directorship extended for a further term of three years commencing 1st November 2005

Ms. KI, Man Fung, Leonie, J.P.

- appointed for a term of three years commencing 15th December 2006

Dr. LEUNG, Kwok Fai, Thomas, J.P.

- term of directorship extended for a further term of three years commencing 1st January 2006

Ms. TAM, Wai Chu, Maria, GBS, J.P.

- appointed for a term of three years commencing 24th June 2004. Term of directorship extended for a further term of three years commencing 24th June 2007

In accordance with Article 99 of the Company’s Articles of Association, Ms. KI, Man Fung, Leonie, will retire from office at the forthcoming annual general meeting of the Company and, being eligible, offer herself for re-election.

In accordance with Article 116 of the Company’s Articles of Association, Mrs. LEE LOOK, Ngan Kwan, Christina, Professor CHAN, Yuk Shee and Dr. LEUNG, Kwok Fai, Thomas will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

Directors and service contracts (continued)

None of the directors offering themselves for election or re-election at the forthcoming annual general meeting of the Company has entered into any service agreements with the Company which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

As required by the Listing Rules, the Company received an annual written confirmation from each independent non-executive director of his/her independence to the Company and considers all of them to be independent.

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 31st March 2007, the interests or short positions of the directors and chief executives 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 ("SFO")) which were notified to the Company and 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 otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were set out below:

(I) Long position in the shares, underlying shares and debentures of the Company

Name of director	Capacity	Number of shares in the Company				Total interests	Approximate percentage of shareholding
		Personal interests	Family interests	Corporate interests	Other interests		
Mr. KWOK, Siu Ming, Simon	Interests of a controlled corporation (Note 1)	–	–	898,506,400	–	898,506,400	65.65%
	Beneficial Owner	20,364,000	–	–	–	20,364,000	1.49%
Mrs. KWOK LAW, Kwai Chun, Eleanor	Interests of a controlled corporation (Note 1)	–	–	898,506,400	–	898,506,400	65.65%
	Beneficial Owner	1,000,000	–	–	–	1,000,000	0.07%
Mrs. LEE LOOK, Ngan Kwan, Christina	Interests of a controlled corporation	–	–	148,000	–	148,000	0.01%
	Beneficial Owner	1,150,000	–	–	–	1,150,000	0.08%
Professor CHAN, Yuk Shee	Beneficial Owner	1,150,000	–	–	–	1,150,000	0.08%

Note:

- These shares are held as to 696,780,000 shares by Sunrise Height Incorporated and as to 201,726,400 shares by Green Ravine Limited. Both Sunrise Height Incorporated and Green Ravine Limited are owned as to 50% each by Mr. KWOK, Siu Ming, Simon and Mrs. KWOK LAW, Kwai Chun, Eleanor.

Details of the interests of directors and chief executives in the derivatives interests in the Company for the year ended 31st March 2007 were disclosed under the section headed "Share options".

Report of the Directors

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures (continued)

(II) Long position in the shares, underlying shares and debentures of associated corporations

Mr. KWOK, Siu Ming, Simon and Mrs. KWOK LAW, Kwai Chun, Eleanor are each taken to be interested in all the issued non-voting deferred shares ("Deferred Shares") of Base Sun Investment Limited, Matford Trading Limited, Sa Sa Cosmetic Company Limited and Sa Sa Investment Limited, all wholly-owned subsidiaries of the Company. Mrs. KWOK LAW, Kwai Chun, Eleanor is also taken to be interested in all the Deferred Shares of Vance Trading Limited, a wholly-owned subsidiary of the Company. Details of interests in the Deferred Shares were set out below:

Mr. KWOK, Siu Ming, Simon

Name of associated corporation	Capacity	Number of Deferred Shares in the associated corporation					Percentage of shareholding to all the Deferred Shares of associated corporation
		Personal interests	Family interests	Corporate interests	Other interests	Total interests	
Base Sun Investment Limited	Interests of a controlled corporation (Note 1)	–	–	2	–	2	100%
Matford Trading Limited	Beneficial owner (Note 2)	3	–	–	–	3	50%
Sa Sa Cosmetic Company Limited	Beneficial owner	1	–	–	–	1	50%
Sa Sa Investment Limited	Beneficial owner	1	–	–	–	1	50%

Mrs. KWOK LAW, Kwai Chun, Eleanor

Name of associated corporation	Capacity	Number of Deferred Shares in the associated corporation					Percentage of shareholding to all the Deferred Shares of associated corporation
		Personal interests	Family interests	Corporate interests	Other interests	Total interests	
Base Sun Investment Limited	Interest of a controlled corporation (Note 1)	–	–	2	–	2	100%
Matford Trading Limited	Beneficial owner (Note 3)	3	–	–	–	3	50%
Sa Sa Cosmetic Company Limited	Beneficial owner	1	–	–	–	1	50%
Sa Sa Investment Limited	Beneficial owner	1	–	–	–	1	50%
Vance Trading Limited	Beneficial owner	1,600,000	–	–	–	1,600,000	100%

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures (continued)

(II) Long position in the shares, underlying shares and debentures of associated corporations (continued)

Notes:

1. Mr. KWOK, Siu Ming, Simon and Mrs. KWOK LAW, Kwai Chun, Eleanor hold 2 shares in Base Sun Investment Limited through Link Capital Investment Limited and Modern Capital Investment Limited. Link Capital Investment Limited and Modern Capital Investment Limited are companies owned as to 50% each by Mr. KWOK, Siu Ming, Simon and Mrs. KWOK LAW, Kwai Chun, Eleanor.
2. Mr. KWOK, Siu Ming, Simon holds 3 shares in Matford Trading Limited through Mr. YUNG, Leung Wai who acts as a nominee shareholder.
3. Mrs. KWOK LAW, Kwai Chun, Eleanor holds 3 shares in Matford Trading Limited through Ms. KWOK, Lai Yee, Mable who acts as a nominee shareholder.
4. Certain qualifying share was held by Mr. KWOK, Siu Ming, Simon in trust for a wholly-owned subsidiary of the Company.

Save as disclosed above, no directors or chief executives have any interests or short position 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 interests or short positions which were taken or deemed to be have under such provisions), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' benefits from rights to acquire shares or debentures

Save as disclosed under the section headed the "Share options", at no time during the year was the Company, its holding company or its subsidiaries or a subsidiary of the Company's holding company, a party to any arrangements which enabled the directors of the Company (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Interests and short positions in shares and underlying shares of shareholders

So far as is known to any director or chief executives of the Company, as at 31st March 2007, shareholders, other than a director or chief executive, who had interests and short positions in the shares and underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO were as follows:

(I) Long position of substantial shareholders in the shares of the Company

Name of company	Capacity	No. of shares held	Approximate percentage of shareholding
Sunrise Height Incorporated	Beneficial owner	696,780,000 (Note)	50.91%
Green Ravine Limited	Beneficial owner	201,726,400 (Note)	14.73%

Report of the Directors

Interests and short positions in shares and underlying shares of shareholders (continued)

(I) Long position of substantial shareholders in the shares of the Company (continued)

Note: Both Sunrise Height Incorporated and Green Ravine Limited are owned as to 50% each by Mr. KWOK, Siu Ming, Simon and Mrs. KWOK LAW, Kwai Chun, Eleanor.

Save as disclosed above, the Company has not been notified by any person (other than the directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions), or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

Contracts of significance

No contracts of significance between the Group and its controlling shareholders or its subsidiaries and in which any director of the Company is or was materially interested, either directly or indirectly, subsisting during or at the end of the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Connected transactions

During the year, there is neither connected transaction nor continuing connected transaction that is not exempted under the Listing Rules.

Public float

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

Auditors

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Kwok Siu Ming, Simon

Chairman and CEO

Hong Kong, 28th June 2007