DICKSON

ANNUAL REPORT 2007

Stock Code: 0113

DICKSON

DICKSON CONCEPTS (INTERNATIONAL) LIMITED

迪生創建(國際)有限公司

(incorporated in Bermuda with limited liability)

ANNUAL REPORT 2007

Stock Code: 0113

CONTENTS

Board of Directors :

Group Executive Chairman :
Dickson Poon

Executive Directors :
Raymond Lee **(Deputy Chairman and Chief Executive Officer)**
Chan Tsang Wing, Nelson
Edwin Ing
Ng Chan Lam
Walter Josef Wuest

Independent Non-Executive Directors :
Bhanusak Asvaintra
Nicholas Peter Etches
Christopher Patrick Langley, OBE

Company Secretary :

Or Suk Ying, Stella

Qualified Accountant :

Raymond Lee

Audit Committee :

Nicholas Peter Etches **(Chairman)**
Bhanusak Asvaintra
Christopher Patrick Langley, OBE

Remuneration Committee :

Bhanusak Asvaintra **(Chairman)**
Nicholas Peter Etches
Raymond Lee

Independent Auditor :

KPMG
Certified Public Accountants,
Hong Kong.

Head Office and Principal Place of Business :

4th Floor, East Ocean Centre,
98 Granville Road,
Tsimshatsui East,
Kowloon, Hong Kong.

Registered Office :

Bank of Bermuda Building,
6 Front Street,
Hamilton HM 11,
Bermuda.

Principal Bankers :

BNP Paribas
CALYON
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

Share Registrar in Hong Kong :

Tengis Limited
26th Floor,
Tesbury Centre,
28 Queen’s Road East,
Wanchai, Hong Kong.

Share Registrar in Bermuda :

The Bank of Bermuda Limited
Bank of Bermuda Building,
6 Front Street,
Hamilton HM 11,
Bermuda.

Place of Share Listing :

The Stock Exchange of Hong Kong Limited

Stock Code :

The Stock Exchange of Hong Kong Limited : 0113

Website :

http://www.dickson.com.hk

During the year ended 31st March, 2007, the strong performance of the Group's core businesses and the significant investments made in the acquisition of the Tommy Hilfiger group enabled the Group to achieve double digit turnover growth. In addition, the Group opened 65 other stores, thereby increasing the Group's total retail space by nearly half a million square feet.

As a result of adopting conservative accounting policies and charging all operating expenses arising from these investments for the full year, there was a negative impact on the Group's profit attributable to shareholders.

It is the Group's firm belief that this negative impact will be of a short-term nature and that once these businesses mature, they will become the engine for the Group's strong and sustained growth in the medium to longer term.

Financial Results and Final Dividend

Turnover for the year was HK$3.1 billion, an increase of 17.3 per cent. over last year.

Profit attributable to shareholders was HK$186.2 million, a decrease of 10.7 per cent. compared with last year.

In view of these results, the Board is recommending the payment of a final dividend of 27.5 cents per share.

The final dividend together with the interim dividend of 13.8 cents per share amounts to a total annual dividend of 41.3 cents per share, the same as last year.

Review of Operations

Asian Retailing

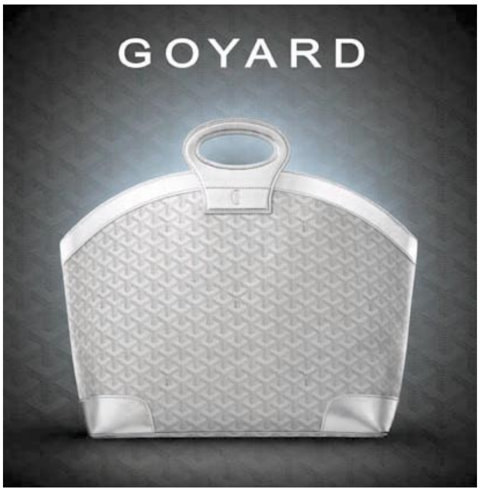
The Group's retail network at 31st March, 2007 totalled 500 shops. This comprised 68 in Hong Kong, 228 in China, 170 in Taiwan and 34 in Singapore, Malaysia and the Philippines.

The acquisition of the Tommy Hilfiger group, which was completed in August 2006, significantly expanded the Group's retail network. At the financial year end, there were 108 Tommy Hilfiger shops located throughout the region and given its solid and profitable track record, the strong recognition of the brand and the continued aggressive expansion of its retail network, the Group is confident that the Tommy Hilfiger group will become an increasingly significant contributor to the Group's turnover and profits.

Tommy Hilfiger fashionwear.
「Tommy Hilfiger」時裝。

Creative advertising by Harvey Nichols.
「夏菲尼高」的創意廣告設計。

The Kowloon Hotel Seibu store in Tsimshatsui, Hong Kong.
位於香港尖沙咀九龍酒店的「西武」店。



Limited edition metallic 'Beluga' handbag by Goyard.
「Goyard」的限量版金屬型「Beluga」手袋。

The Seibu store in Shenyang, Liaoning Province, China.
位於中國遼寧省瀋陽市的「西武」店。

Christofle tableware.
「Christofle」餐具。

Hong Kong

In Hong Kong, Harvey Nichols continued to refine its product offering and enhance its customer experience. This has resulted in increased customer traffic and a significant increase in sales.

The third Hong Kong Seibu store was opened at Kowloon Hotel in December 2006. Initial consumer response has been favourable and once the store builds up a strong local customer base, the Group is confident that it will make a positive contribution to Hong Kong Seibu's turnover and profits growth.

A free standing boutique for Goyard, one of only thirteen in the world for this most exclusive of luxury leathergoods and luggage brands, was opened at The Peninsula in March 2007.

With 68 stores located in the most prime locations, the Group is extremely confident about the future prospects of its Hong Kong operations.

China

Today, the Group operates a retail network in China comprised of 230 stores with a geographic reach of over 25 provinces.

During the year, the Group officially opened the 100,000 sq. ft. Seibu store in Chengdu in December 2006 and the 150,000 sq. ft. Seibu store in Shenyang was soft opened just before the year end. Additionally, the Group acquired Tommy Hilfiger's network of 56 shops, and opened an additional 31 shops under brands such as Tod's, Dickson Watch & Jewellery, Brooks Brothers and S.T. Dupont.

The Group considers China to be the market which offers the largest growth potential in the medium to longer term. With over 14 years of experience and having established a comprehensive infrastructure in the country, the Group is well placed to further penetrate and exploit the market as the China economy continues to expand and grow.

Other Asian Markets

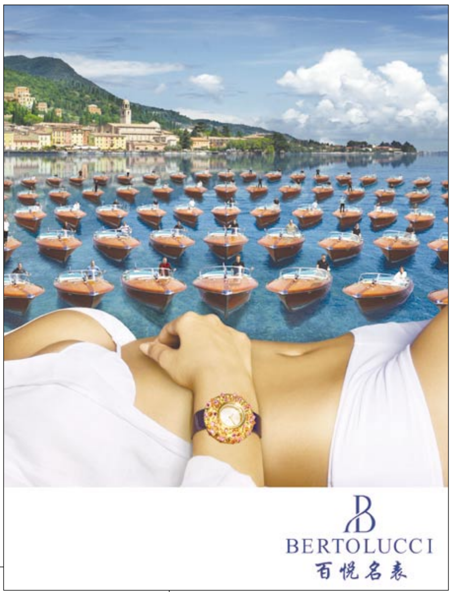
Although the Taiwanese market continues to be adversely affected by political uncertainty and the tightening of credit card limits by local banks, the Group's businesses there continue to make a meaningful contribution to the Group's profits. With a strong retail network of 170 shops throughout the island for leading international brands such as Polo Ralph Lauren, Tod's, Brooks Brothers, Tommy Hilfiger and the introduction of Hogan at Sogo BR4 in Taipei, the Group is well placed to take advantage of any improvement in trading conditions.

With a proven track record of over 15 years of successful operations in Singapore, Malaysia and the Philippines, the Group's 34 shops in these countries ensure that the Group will achieve increases in sales and profits as economic conditions continue to improve.

Ralph Lauren Collection ladieswear.
「Ralph Lauren Collection」女士服裝。

Mens and ladies fashion by Brooks Brothers.
「Brooks Brothers」的男士及女士時裝。

Ladies shoes and handbags by Tod's.
「Tod's」的女士皮鞋及手袋。



Creative advertising by Bertolucci.
「Bertolucci」的創意廣告設計。

Bertolucci 'Stella' watch.
「Bertolucci」的「Stella」系列手錶。

Bertolucci

Bertolucci launched its second luxury watch collection since its acquisition by the Group at the Baselworld Trade Fair. The collection was well received, and as its distribution channels are further expanded, the Group is confident that Bertolucci will develop into a meaningful asset for the Group in the longer term.

Board of Directors and Employees

I would like to take this opportunity to thank my fellow Directors and all the Group's employees for their hardwork and dedication during the year. Without their commitment and enthusiasm, the Group would not have achieved the success it has today.

Future Prospects

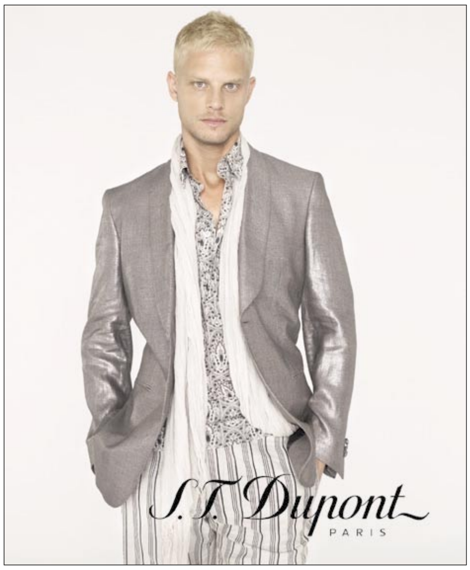
The Group's comprehensive retail network of 500 shops throughout the region provides the Group with a strong cash flow and recurring income base.

Major investments totalling in excess of HK$600 million were made by the Group during the year, whereby over 160 shops occupying nearly half a million square feet of retail space were either opened or added throughout the region. Whilst these investments will continue to have a short-term impact on the Group's profits growth, the Group is confident that they will make major contributions to the Group's turnover and profits in the medium to longer term.

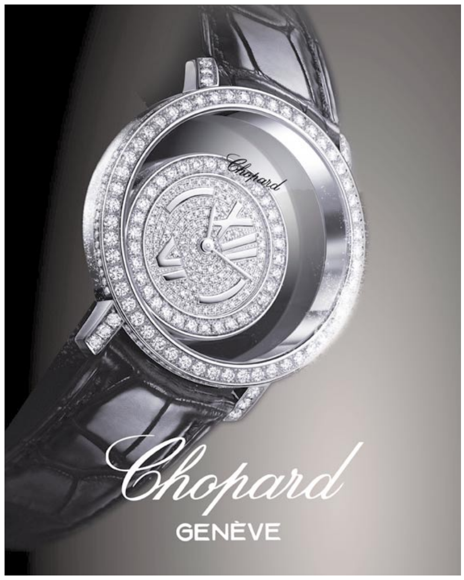
The Group remains firmly committed to the retail industry in Hong Kong, China and South East Asia and plans to open at least 40 new shops during the current financial year. Together with its strong balance sheet, the Group is confident that it is perfectly positioned to take advantage of improving economic conditions throughout Asia and to exploit investment opportunities of exceptional value.

Dickson Poon
Group Executive Chairman

Hong Kong, 26th June, 2007



S.T. Dupont menswear.
「都彭」的男士服裝。



Luxury watch by Chopard.
「蕭邦」的名貴手錶。

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Shareholders of the Company will be held at 4th Floor, East Ocean Centre, 98 Granville Road, Tsimshatsui East, Kowloon, Hong Kong on Thursday, 23rd August, 2007 at 11:00 a.m. for the following purposes :-

1. To receive and consider the Reports of the Directors and the Independent Auditor and the Statement of Accounts for the year ended 31st March, 2007.

2. To approve the payment of the final dividend recommended by the Directors in respect of the year ended 31st March, 2007.

3. To re-elect Directors and to fix the fees of the Directors.

4. To re-appoint Independent Auditor for the ensuing year and to authorise the Directors to fix their remuneration.

5. As special business, to consider and if thought fit, pass the following resolution as an Ordinary Resolution :-

   "THAT :-

   (A) subject to paragraph 5(C) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot and issue additional shares in the share capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

   (B) the approval in paragraph 5(A) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

   (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph 5(A), otherwise than pursuant to a Rights Issue, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

   (D) for the purposes of this Resolution :-

   "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of :-

   (i) the conclusion of the next Annual General Meeting of the Company;

   (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and

(iii) the revocation or variation of this Resolution by an ordinary resolution of Shareholders of the Company in General Meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares, or any class of shares, on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong)."

6. As special business, to consider and if thought fit, pass the following resolution as an Ordinary Resolution :-

"THAT :-

(A) subject to paragraph 6(C) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to repurchase issued shares in the share capital of the Company subject to and in accordance with all applicable laws be and is hereby generally and unconditionally approved;

(B) the approval in paragraph 6(A) shall be in addition to any other authorisation given to the Directors of the Company;

(C) the aggregate nominal amount of share capital purchased or agreed conditionally or unconditionally to be purchased by the Company pursuant to the approval in paragraph 6(A) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

(D) for the purposes of this Resolution :-

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of :-

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and

(iii) the revocation or variation of this Resolution by an ordinary resolution of Shareholders of the Company in General Meeting."

7. As special business, to consider and if thought fit, pass the following resolution as an Ordinary Resolution :-

"THAT conditional upon the passing of the Ordinary Resolutions as set out in paragraphs 5 and 6, the general mandate granted to the Directors of the Company pursuant to paragraph 5(A) shall be extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted in paragraph 6, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution."

By Order of the Board

Or Suk Ying, Stella
Company Secretary

Hong Kong, 17th July, 2007

Notes :-

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote instead of him. A member may appoint a proxy in respect of part only of his holding of shares in the Company. A proxy need not also be a member of the Company.

2. To be valid, a proxy form, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be lodged with the Company's Hong Kong Branch Registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 11:00 a.m. on Tuesday, 21st August, 2007.

3. The Register of Members of the Company will be closed from Wednesday, 22nd August, 2007 to Thursday, 23rd August, 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, Tengis Limited at the address as mentioned in Note 2 above not later than 4:30 p.m. on Tuesday, 21st August, 2007.

4. With regard to item 3, Mr. Ng Chan Lam, Mr. Walter Josef Wuest and Mr. Nicholas Peter Etches will retire at the Annual General Meeting. These three retiring Directors, being eligible, have offered themselves for re-election. Details of the aforesaid Directors who have offered themselves for re-election are contained in the circular accompanying the Annual Report 2007 of the Company.

5. With regard to item 5, the Directors wish to state that, currently, they have no plans to issue any additional new shares of the Company. The present general mandate given by members pursuant to the provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") expires at the forthcoming Annual General Meeting and, accordingly, a renewal of that general mandate is now being sought.

6. With regard to items 6 and 7, the present general mandate given by members pursuant to the provisions of the Listing Rules and the Hong Kong Code on Share Repurchases ("the Repurchase Code") expires at the forthcoming Annual General Meeting and, accordingly, a renewal of that general mandate is now being sought. In accordance with the Listing Rules and the Repurchase Code, the terms and conditions upon which such power will be exercised are contained in the circular as mentioned in Note 4 above.

7. The procedure by which members may demand a poll is contained in the circular as mentioned in Note 4 above.

8. As at the date of this Notice, the Board of Directors of the Company comprises :-

Executive Directors :
Dickson Poon *(Group Executive Chairman)*
Raymond Lee *(Deputy Chairman and Chief Executive Officer)*
Chan Tsang Wing, Nelson
Edwin Ing
Ng Chan Lam
Walter Josef Wuest

Independent Non-Executive Directors :
Bhanusak Asvaintra
Nicholas Peter Etches
Christopher Patrick Langley, OBE

The directors have pleasure in presenting their annual report together with the audited accounts for the year ended 31st March, 2007.

Group Activities

The Company's activity is that of investment holding. The principal activity of the Group is the sale of luxury goods.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in Note 2 on the accounts.

Accounts

The profit of the Group for the year ended 31st March, 2007 and the financial position of the Company and the Group at that date are set out in the accounts on pages 41 to 84.

Dividends

An interim dividend of 13.8 cents (2006 : 13.8 cents) per ordinary share was paid on 18th January, 2007.

The directors recommend the payment of a final dividend of 27.5 cents (2006 : 27.5 cents) per ordinary share in respect of the year ended 31st March, 2007.

Share Capital and Reserves

Movements in share capital and reserves during the year are set out in Notes 21 and 22 respectively on the accounts.

Share Option Scheme

Details of the Share Option Scheme of the Company are set out in Note 21 on the accounts.

Share Purchase, Sale and Redemption

At no time during the year was there any purchase, sale or redemption by the Company, or any of its subsidiary companies, of the Company's shares.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's New Bye-laws although there is no restriction against such rights under Bermuda law.

Charitable Donations

Donations made by the Group during the year amounted to HK$3,754,000.

Fixed Assets

Movements in fixed assets during the year are set out in Note 10 on the accounts.

Borrowings

Bank loans and other borrowings repayable are stated in Note 17 on the accounts.

Retirement Schemes

Retirement schemes operated by the Group during the year are outlined in Notes 1(o), 3 and 24 on the accounts.

Principal Subsidiary and Associated Companies

Particulars of the Company's principal subsidiary and associated companies are set out on pages 80 to 84.

Management Contracts

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

Employment and Remuneration Policies

As at 31st March, 2007, the Group had 3,116 (2006 : 2,477) employees. Total staff costs (including Directors' emoluments) amounted to HK$472.6 million (2006 : HK$406.2 million). Remuneration policies are reviewed regularly by the Board of Directors of the Company and by the Remuneration Committee in respect of directors and senior management. Remuneration packages are structured to take into account the level and composition of pay and the general market conditions in the respective countries and businesses in which the Group operates.

Liquidity and Financial Resources

During the year, the Group's operations generated net cash of HK$313.5 million (2006 : HK$288.4 million) before working capital changes, capital expenditure, investments and dividend distribution.

Increased working capital requirements mainly due to higher stock holdings from new stores opened during the year together with the related capital expenditure totalling HK$314.1 million was funded by the net cash generated from operations.

Further payments totalling HK$524.2 million comprising the purchase consideration of HK$396.0 million for the Tommy Hilfiger Asia Pacific licensed business and HK$128.2 million of dividends was funded by the surplus cash holdings of the Group.

Thus, as at 31st March, 2007, the Group's net liquid financial resources stood at HK$46.1 million (2006 : HK$506.5 million) comprising cash and bank deposits of HK$187.8 million and short-term bank borrowings of HK$141.7 million.

The Group maintains significant uncommitted short-term loan facilities with its relationship banks for working capital requirements and funding flexibility. Based on the Group's current capital expenditure and investment plans and the continuation of positive cash flow generated by the Group's operations, material utilisation of these facilities over and above current levels is not anticipated.

Foreign Currency Exposure and Financial Management

Merchandise purchased by the Group is mainly denominated in United States Dollars, Euros, Pounds Sterling and Swiss Francs. Where appropriate, forward foreign exchange contracts are utilised to purchase the relevant currency to settle amounts due and it is the Group's policy that such foreign exchange contracts or foreign currency purchases are strictly limited to approved purchase budget amounts or actual purchase commitments.

Exposure to fluctuations in the exchange rate of regional currencies in respect of the Group's overseas operations is minimised by utilising local currency borrowings, where necessary, to fund working capital and capital expenditure requirements with repayment from funds generated from local sales. The Group's outstanding foreign currency bank borrowings are a result of the application of this policy and comprise short-term bank loans drawn in New Taiwan Dollars and Singapore Dollars by the respective operating subsidiary companies.

Financial risk management for the Group is the responsibility of the treasury department based in Hong Kong which implements the policies and guidelines issued by the Board of Directors. Surplus cash is held mainly in United States Dollars, Hong Kong Dollars and Renminbi with the majority placed on short-term deposits with established international banks.

As at 31st March, 2007, the Group's current ratio, being current assets divided by current liabilities, was 1.6 times compared to 2.5 times as at 31st March, 2006. The Group has maintained a net surplus cash position throughout the financial year under review and its gearing ratio, being total bank borrowings net of cash balances as a percentage of consolidated capital and reserves is Nil (as at 31st March, 2006 : Nil).

Financial Summary

The results, assets and liabilities of the Group for the last five years are summarised on page 85.

Major Customers and Suppliers

The percentages of turnover and purchases attributable to the Group's five largest customers and suppliers respectively during the year were both less than 30 per cent..

Directors

The directors during the year were :-

Dickson Poon	(Group Executive Chairman)
Raymond Lee	(Deputy Chairman and Chief Executive Officer)
Chan Tsang Wing, Nelson	(Executive Director)
Ching Sau Hong, Kevin	(Executive Director) (Resigned on 1st July, 2006)
Edwin Ing	(Executive Director)
Ng Chan Lam	(Executive Director)
Walter Josef Wuest	(Executive Director)
Bhanusak Asvaintra	(Independent Non-Executive Director)
Nicholas Peter Etches	(Independent Non-Executive Director)
Christopher Patrick Langley, OBE	(Independent Non-Executive Director)

In accordance with bye-law 111(A) of the Company's New Bye-laws, Mr. Ng Chan Lam, Mr. Walter Josef Wuest and Mr. Nicholas Peter Etches retire and, being eligible, offer themselves for re-election. None of the directors offering themselves for re-election has a service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Biographies

Dr. Dickson Poon *(Group Executive Chairman)*
Dr. Poon, aged 51, is the founder and a substantial shareholder of the Group. He established the Dickson Group in 1980 and was appointed an Executive Director of the Company in 1991 and has been the Group Executive Chairman since 1992. Dr. Poon provides leadership for the Board of Directors and ensures that the Board of Directors discharges its responsibilities effectively and efficiently. The relationship between Dr. Poon and Dickson Investment Holding Corporation which has a notifiable interest in the Company under the provisions of the Securities and Futures Ordinance ("the SFO") is mentioned in the Directors' Interests and Substantial Shareholders and Others sections of this report.

Mr. Raymond Lee *(Deputy Chairman and Chief Executive Officer)*
Mr. Lee, aged 57, joined the Group in 1992 as an Executive Director. He was appointed the Deputy Chairman in 2000 and the Chief Executive Officer in 2005. He is a Fellow of The Institute of Chartered Accountants in England and Wales, and prior to joining the Group, held a senior position with a major international financial institution. Mr. Lee is a Qualified Accountant as prescribed under the Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") and provides leadership for the management of the Group to implement the strategies and oversee the realisation of the objectives set by the Board of Directors.

Mr. Chan Tsang Wing, Nelson *(Executive Director)*
Mr. Chan, aged 51, was appointed an Executive Director in 2000. He is a Fellow of The Institute of Chartered Accountants in England and Wales, and was previously chief executive of a major international trading group.

Mr. Edwin Ing *(Executive Director)*
Mr. Ing, aged 46, joined the Group in 1987 as Company Secretary and was appointed an Executive Director in 1992. A graduate of the University of Birmingham, England, he is a Fellow of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Mr. Ng Chan Lam *(Executive Director)*
Mr. Ng, aged 58, joined the Group in 1988 and was appointed an Executive Director in 1994. A graduate of a university in Montreal, Canada, he acquired extensive trading and administrative experience prior to joining the Group.

Mr. Walter Josef Wuest *(Executive Director)*
Mr. Wuest, aged 67, joined the Group in 1983 and has been an Executive Director since flotation in 1986. Prior to joining the Group, he acquired extensive experience in the international merchandising and marketing of watches.

Mr. Bhanusak Asvaintra *(Independent Non-Executive Director)*
Mr. Asvaintra, aged 62, was appointed an Independent Non-Executive Director in September 2004. A graduate of the University of Pennsylvania and the University of Chicago, he held senior executive positions with the Chase Manhattan Bank group in New York, Hong Kong and Singapore in the 1970s. Mr. Asvaintra joined the Charoen Pokphand group of companies in 1980 and retired as its chief executive officer in 1998.

Mr. Nicholas Peter Etches *(Independent Non-Executive Director)*
Mr. Etches, aged 59, was appointed an Independent Non-Executive Director in June 2004. He has over 34 years auditing experience with clients in a range of industries, also specialising in the fields of banking and finance as well as insolvency and corporate recovery practice. He is a Fellow of The Institute of Chartered Accountants in England and Wales and a Fellow of the Hong Kong Institute of Certified Public Accountants of which he was the President in 1995. Mr. Etches joined one of the leading international accounting firms in London in 1967, transferred to the firm's Hong Kong office in 1975 and became a partner in 1978 until his retirement in 2002.

Mr. Christopher Patrick Langley, OBE *(Independent Non-Executive Director)*
Mr. Langley, aged 62, was appointed an Independent Non-Executive Director in November 2002. He was formerly an executive director of The Hongkong and Shanghai Banking Corporation Limited. Mr. Langley holds directorships in a number of publicly listed companies and maintains close ties with the business community in Hong Kong.

Directors' Interests

As at 31st March, 2007, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("the Directors' Model Code") as set out in Appendix 10 of the Listing Rules were as follows :-

Dickson Concepts (International) Limited

		Ordinary shares of HK$0.30 each					
Name of Director	**Capacity**	**Personal Interests**	**Family Interests**	**Corporate Interests**	**Other Interests**	**Total**	**Percentage**(ii)
Dickson Poon	Beneficial owner and trust founder	14,040	—	—	149,395,699(i)	149,409,739	48.15
Edwin Ing	Beneficial owner	26,620	—	—	—	26,620	0.0086
Walter Josef Wuest	Beneficial owner	13,097,618	—	—	—	13,097,618	4.22

Note :-

(i) These shares are held through two trusts.

(ii) Percentage which the aggregate long position in shares represents to the issued share capital of the Company.

In addition, Dr. Dickson Poon is deemed to be interested in the share capital of all the subsidiary and associated companies of the Company by virtue of his interest in the Company.

Save as referred to above, as at 31st March, 2007, none of the directors had any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept by the Company under Section 352 of the SFO or which are notified to the Company and the Stock Exchange pursuant to the Directors' Model Code.

Except as disclosed in the Connected Transactions section of this report, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiary companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

As at 31st March, 2007, no share options had been granted to the directors of the Company under the share option scheme which was adopted on 26th August, 2003.

Save as disclosed above, at no time during the year was the Company or any of its subsidiary companies a party to any arrangements to enable the directors of the Company or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders and Others

As at 31st March, 2007, the interests and short positions of the persons (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 by the Company under Section 336 of the SFO were as follows :-

Dickson Concepts (International) Limited

Name of shareholder	**Ordinary shares of HK$0.30 each**	**Percentage** (iii)	**Capacity**
Yu Kwai Chu, Pearl	149,409,739 (i)	48.15	Interest of spouse
Dickson Investment Holding Corporation ("DIHC")	149,395,699 (ii)	48.14	Trustee
Paicolex Trust Company (BVI) Limited ("Paicolex BVI")	149,395,699 (ii)	48.14	Trustee
Paicolex Trust Management AG ("Paicolex AG")	149,395,699 (ii)	48.14	Trustee
Matthews International Capital Management, LLC	31,272,400	10.08	Investment Manager
INVESCO Hong Kong Limited	22,755,075	7.33	Investment Manager

Note :-

(i) These shares refer to the family interest attributable to Dr. Dickson Poon, the spouse of Ms. Pearl Yu.

(ii) These shares refer to the same block of shares. DIHC, Paicolex BVI and Paicolex AG are trustees of two trusts. These shares are also included in the 149,395,699 shares which were disclosed as "Other Interests" of Dr. Dickson Poon in the Directors' Interests section of this report.

(iii) Percentage which the aggregate long position in shares represents to the issued share capital of the Company.

Save as aforesaid and as disclosed in the Directors' Interests section of this report, the Company has not been notified by any person who had an interest or short position in the shares or underlying shares of the Company as at 31st March, 2007 which is required to be notified to the Company pursuant to Part XV of the SFO or which is recorded in the register required to be kept by the Company under Section 336 of the SFO.

Connected Transactions

1. During the year, the Group has on an on-going basis conducted transactions with the ST Dupont Group (i.e. S.T. Dupont S.A., a company incorporated in France with limited liability, the shares of which are listed on the Paris Bourse in France and which is owned as to 68.9 per cent. of its issued share capital by a trust established for the benefit of the members of Dr. Dickson Poon's family, together with its subsidiary companies, which are principally engaged in the manufacture and distribution of luxury lighters, writing instruments, leather goods, accessories, ready-to-wear clothing, watches and fragrances under the brand name of "S.T. Dupont") on normal commercial terms and in the ordinary and usual course of business of the Group, details of which are set out as follows :-

   (a) On 27th March, 2006, Dickson Concepts Limited ("DCL"), a member of the Group, as seller and S.T. Dupont Marketing Limited ("STDM"), a member of the ST Dupont Group, as purchaser entered into and renewed a merchandise sale and purchase agreement ("the Agreement No. 1") regarding the sales of certain merchandise by the Group to the ST Dupont Group including, but not limited to, luxury lighters, writing instruments, leather goods, accessories, ready-to-wear clothing, watches as well as fragrances under the brand name of "S.T. Dupont" or names of product lines under "S.T. Dupont" (for that merchandise manufactured in the People's Republic of China ("PRC") only) for a period of not exceeding three years commencing from 1st April, 2006 and ending on 31st March, 2009 in compliance with Rule 14A.35 of the Listing Rules. The selling prices of the merchandise are at or above the Group's purchase cost of the merchandise, due upon shipment of the merchandise and to be settled in cash with a credit period of up to 60 days. The maximum annual caps received/receivable by the Group for the sales of merchandise to the ST Dupont Group under the Agreement No. 1 for the financial years ended/ending 31st March, 2007, 31st March, 2008 and 31st March, 2009 are HK$14,061,000, HK$18,280,000 and HK$23,764,000 respectively. The sales of merchandise by the Group to the ST Dupont Group during the year was HK$4,824,000 which was below the maximum annual cap of HK$14,061,000.

   (b) On 27th March, 2006, STDM, a member of the ST Dupont Group, as seller and DCL, a member of the Group, as purchaser entered into and renewed a merchandise sale and purchase agreement ("the Agreement No. 2") regarding the purchases of certain merchandise by the Group from the ST Dupont Group including, but not limited to, luxury lighters, writing instruments, leather goods, accessories, ready-to-wear clothing, watches as well as fragrances under the brand name of "S.T. Dupont" or names of product lines under "S.T. Dupont" (for that merchandise manufactured outside the PRC only) for a period of not exceeding three years commencing from 1st April, 2006 and ending on 31st March, 2009 in compliance with Rule 14A.35 of the Listing Rules. The purchase prices of the merchandise are at the standard wholesale prices as set by the ST Dupont Group, due upon shipment of the merchandise and to be settled in cash with a credit period of up to 60 days. The maximum annual caps paid/payable by the Group for the purchases of merchandise from the ST Dupont Group under the Agreement No. 2 for the financial years ended/ending 31st March, 2007, 31st March, 2008 and 31st March, 2009 are HK$15,223,000, HK$19,790,000 and HK$25,727,000 respectively. The purchases of merchandise by the Group from the ST Dupont Group during the year was HK$4,716,000 which was below the maximum annual cap of HK$15,223,000.

(c) On 27th March, 2006, S.T. Dupont Japan K.K., a member of the ST Dupont Group, as service provider and D Marketing Japan K.K. ("DMJKK"), a member of the Group, as service receiver entered into and renewed a management agreement ("the Agreement No. 3") regarding the provision of various specialised services by the ST Dupont Group to the Group, including specialised knowledge, resources and data pertaining to the managing, marketing and sale of watches in Japan for a period of not exceeding three years commencing from 1st April, 2006 and ending on 31st March, 2009 in compliance with Rule 14A.35 of the Listing Rules. The management fee payable by the Group is equal to the initial amount of 1 per cent. of annual turnover of DMJKK, excluding value added tax, plus 20 per cent. of its annual pre-tax profit, with a maximum of 20 million Yen (about HK$1.33 million) and this management fee shall be payable on a yearly basis with a credit period of up to 45 days. The maximum annual caps paid/payable by the Group for the receipt of the management services from the ST Dupont Group under the Agreement No. 3 for the financial years ended/ending 31st March, 2007, 31st March, 2008 and 31st March, 2009 are HK$121,000, HK$158,000 and HK$206,000 respectively. The management fee paid by the Group to the ST Dupont Group in respect of the receipt of the management services from the ST Dupont Group during the year was HK$64,000 which was below the maximum annual cap of HK$121,000.

(d) On 27th March, 2006, DCL, a member of the Group, as service provider and STDM, a member of the ST Dupont Group, as service receiver entered into and renewed a services agreement ("the Agreement No. 4a") together with an agreement on personnel ("the Agreement No. 4b") regarding the provision of certain management and supporting services by the Group to the ST Dupont Group including office and warehouse space, stock management services, centralised administrative and supporting functions including management, stock control and information technology for a period of not exceeding three years commencing from 1st April, 2006 and ending on 31st March, 2009 in compliance with Rule 14A.35 of the Listing Rules. Moreover, pursuant to the Agreement No. 4b, the salaries of employees in charge of marketing and selling of products provided by the ST Dupont Group and the Group and supervising exclusive S.T. Dupont boutiques in the PRC are to be shared between the Group and the ST Dupont Group. The service fee payable by the ST Dupont Group is calculated on a cost and/or cost plus (as may be required by the relevant tax or other rulings or regulations) allocation basis and this service fee shall be payable on a monthly basis with a credit period of up to 30 days. The maximum annual caps received/receivable by the Group for the provision of management and supporting services to the ST Dupont Group under the Agreements Nos. 4a and 4b for the financial years ended/ending 31st March, 2007, 31st March, 2008 and 31st March, 2009 are HK$11,832,000, HK$15,382,000 and HK$19,997,000 respectively. The service fee received by the Group from the ST Dupont Group in respect of the provision of the management and supporting services to the ST Dupont Group during the year was HK$6,168,000 which was below the maximum annual cap of HK$11,832,000.

(e) On 27th March, 2006, Dickson Interior Design Limited, a member of the Group, as service provider and STDM, a member of the ST Dupont Group, as service receiver entered into and renewed an interior design services agreement ("the Agreement No. 5") regarding the provision of interior design services by the Group to the ST Dupont Group relating to its retail outlets and sales corners for a period of not exceeding three years commencing from 1st April, 2006 and ending on 31st March, 2009 in compliance with Rule 14A.35 of the Listing Rules. The interior design service fee payable by the ST Dupont Group is charged at a rate of 10 per cent. of the total contract sum for the building and fitting out of any of its freestanding boutiques, department store corners and retail outlets and this interior design service fee shall be payable on a contract phase completion basis with a credit period of up to 30 days. The maximum annual caps received/receivable by the Group for the provision of interior design services to the ST Dupont Group under the Agreement No. 5 for the financial years ended/ending 31st March, 2007, 31st March, 2008 and 31st March, 2009 are HK$875,000, HK$1,138,000 and HK$1,480,000 respectively. The service fee received by the Group from the ST Dupont Group in respect of the provision of interior design services to the ST Dupont Group during the year was HK$68,000 which was below the maximum annual cap of HK$875,000.

(f) On 27th October, 2005, Hong Kong Seibu Enterprise Company Limited ("HK Seibu"), a member of the Group, as grantor and STDM, a member of the ST Dupont Group, as licensee entered into a licence agreement ("the Old Agreement No. 6") regarding the licensing of a sales corner ("the ST Dupont Corner") by the Group to the ST Dupont Group in the Group's Seibu store at Two Pacific Place, 88 Queensway, Hong Kong ("Pacific Place Seibu Store") with a total retailing area of about 762 sq. ft. for a period of two years commencing from 2nd April, 2005 and ending on 1st April, 2007. The licence fee payable by the ST Dupont Group is based on a certain percentage of the monthly sales made at the ST Dupont Corner but subject to a minimum monthly licence fee of HK$175,260, to be paid in cash within 20 days from the end of each month in arrears. The maximum annual caps received/receivable by the Group for the licensing of the ST Dupont Corner under the Old Agreement No. 6 for the financial years ended/ending 31st March, 2007 and 31st March, 2008 are HK$4,667,000 and HK$12,800 (one day) respectively. The licence fee received by the Group from the ST Dupont Group in respect of the licensing of the ST Dupont Corner under the Old Agreement No. 6 during the year was HK$2,368,000 which was below the maximum annual cap of HK$4,667,000.

On 26th March, 2007, the Old Agreement No. 6 was renewed and a new licence agreement ("the Agreement No. 6") was entered into in respect of the ST Dupont Corner for a further period of two years commencing from 2nd April, 2007 and ending on 1st April, 2009. The licence fee payable by the ST Dupont Group is based on a certain percentage of the monthly sales made at the ST Dupont Corner but subject to a minimum monthly licence fee of HK$201,549, to be paid in cash within 20 days from the end of each month in arrears. The maximum annual caps receivable by the Group for the licensing of the ST Dupont Corner under the Agreement No. 6 for the financial years ending 31st March, 2008, 31st March, 2009 and 31st March, 2010 are HK$3,102,000 (eleven months and twenty nine days), HK$4,044,000 and HK$15,000 (one day) respectively.

(g) On 27th March, 2006, STDM, a member of the ST Dupont Group, as licensor and Bondwood Investments Limited, a member of the Group, as licensee entered into and renewed a sublicence agreement ("the Agreement No. 7") regarding the payment of sublicence fee by the Group to the ST Dupont Group on the S.T. Dupont products which the Group distributes in the PRC (excluding Hong Kong) in the capacity as both wholesaler and retailer for a period of not exceeding three years commencing from 1st April, 2006 and ending on 31st March, 2009 in compliance with Rule 14A.35 of the Listing Rules. The sublicence fee is calculated based on certain percentages on each of the wholesale and retail turnover (excluding sales of imported products purchased from the ST Dupont Group) of S.T. Dupont products per year and the sublicence fee shall be payable on a quarterly basis with a credit period of up to 45 days. The maximum annual caps paid/payable by the Group for the payment of the sublicence fee under the Agreement No. 7 for the financial years ended/ending 31st March, 2007, 31st March, 2008 and 31st March, 2009 are HK$31,669,000, HK$37,370,000 and HK$44,097,000 respectively. The sublicence fee paid by the Group to the ST Dupont Group in respect of the distribution of S.T. Dupont products by the Group in the PRC (excluding Hong Kong) during the year was HK$18,964,000 which was below the maximum annual cap of HK$31,669,000.

2. During the year, the Group has on an on-going basis conducted transactions with the Artland Group (i.e. Artland Watch Company Limited ("Artland") and Precision Watch Company Limited ("Precision"), both companies are indirectly wholly-owned by Dr. Dickson Poon, together with their subsidiary companies, which are principally engaged in the sale of watches, jewellery and fashion products in Hong Kong and the PRC) on normal commercial terms and in the ordinary and usual course of business of the Group, details of which are set out as follows :-

(a) On 27th March, 2006, Castlereagh Limited ("Castlereagh"), a member of the Group, as seller and Artland and Precision, both of which are members of the Artland Group, as purchasers entered into and renewed a merchandise sale and purchase agreement ("the Agreement No. 8") regarding the sales of certain merchandise by the Group to the Artland Group including, but not limited to, certain prestigious branded watches, timepieces and jewellery under various prestigious international brand names for a period of not exceeding three years commencing from 1st April, 2006 and ending on 31st March, 2009 in compliance with Rule 14A.35 of the Listing Rules. The selling prices of the merchandise are equal to the retail prices less normal trade discounts, due upon shipment of the merchandise and to be settled in cash with a credit period of up to 90 days. The maximum annual caps received/receivable by the Group for the sales of merchandise to the Artland Group under the Agreement No. 8 for the financial years ended/ending 31st March, 2007, 31st March, 2008 and 31st March, 2009 are HK$12,933,000, HK$16,813,000 and HK$21,857,000 respectively. The sales of merchandise by the Group to the Artland Group during the year was HK$5,718,000 which was below the maximum annual cap of HK$12,933,000.

(b) On 27th March, 2006, Artland and Precision, both of which are members of the Artland Group, as sellers and DCL, a member of the Group, as purchaser entered into and renewed a merchandise sale and purchase agreement ("the Agreement No. 9") regarding the purchases of certain merchandise by the Group from the Artland Group including, but not limited to, certain prestigious branded watches, timepieces and jewellery under various prestigious international brand names for a period of not exceeding three years commencing from 1st April, 2006 and ending on 31st March, 2009 in compliance with Rule 14A.35 of the Listing Rules. The purchase prices of the merchandise are equal to the retail prices less normal trade discounts, due upon shipment of the merchandise and to be settled in cash with a credit period of up to 30 days. The maximum annual caps paid/payable by the Group for the purchases of merchandise from the Artland Group under the Agreement No. 9 for the financial years ended/ending 31st March, 2007, 31st March, 2008 and 31st March, 2009 are HK$9,743,000, HK$12,666,000 and HK$16,466,000 respectively. The purchases of merchandise by the Group from the Artland Group during the year was HK$549,000 which was below the maximum annual cap of HK$9,743,000.

(c) On 3rd February, 2005, HK Seibu, a member of the Group, as grantor and Precision, a member of the Artland Group, as licensee entered into a licence agreement ("the Old Agreement No. 10") regarding the licensing of a sales corner ("the Precision Corner") by the Group to the Artland Group in the Pacific Place Seibu Store with a total retailing area of about 616 sq. ft. for a period of three years commencing from 12th September, 2004 and ending on 11th September, 2007 at a monthly licence fee of HK$270,080, to be paid in cash within 20 days from the end of each month in arrears. The maximum annual caps received/receivable by the Group for the licensing of the Precision Corner under the Old Agreement No. 10 for the financial years ended/ending 31st March, 2007 and 31st March, 2008 are HK$3,240,960 and HK$1,449,429 (five months and eleven days) respectively. No licence fee was received by the Group from the Artland Group in respect of the licensing of the Precision Corner under the Old Agreement No. 10 during the year due to new licence agreement signed (see below).

On 27th March, 2006, a new licence agreement ("the Agreement No. 10") was entered into which superseded the Old Agreement No. 10 due to the expansion of the retailing areas of the Precision Corner in the Pacific Place Seibu Store with a total retailing area of about 847 sq. ft. for one year four months and twenty-nine days commencing from 13th April, 2006 and ending on 11th September, 2007 at a monthly licence fee of HK$396,880, to be paid in cash within 20 days from the end of each month in arrears. The maximum annual caps received/receivable by the Group for the licensing of the Precision Corner under the Agreement No. 10 for the financial years ended/ending 31st March, 2007 and 31st March, 2008 are HK$4,604,000 and HK$2,130,000 respectively. The licence fee received by the Group from the Artland Group in respect of the licensing of the Precision Corner under the Agreement No. 10 during the year was HK$4,604,000 which was the same as the maximum annual cap.

(d) On 3rd February, 2005, HK Seibu, a member of the Group, as grantor and Top Creation Limited ("Top Creation"), a member of the Artland Group, as licensee entered into a licence agreement ("the Agreement No. 11") regarding the licensing of a sales corner by the Group to the Artland Group in the Pacific Place Seibu Store with a total retailing area of about 760 sq. ft. for a period of two years and five months commencing from 15th August, 2004 and ending on 14th January, 2007. The licence fee payable by the Artland Group (i) for the five months commencing from 15th August, 2004 is based on certain percentages of the monthly sales made at the sales corner; and (ii) for the two years commencing from 15th January, 2005 is based on a certain percentage of the monthly sales made at the sales corner but subject to a minimum monthly licence fee of HK$154,050, both to be paid in cash within 20 days from the end of each month in arrears. The maximum annual cap received by the Group for the licensing of the sales corner under the Agreement No. 11 for the financial year ended 31st March, 2007 is HK$1,682,355. The Agreement No. 11 ceased to be a continuing connected transaction of the Group upon the completion of the acquisition of the entire issued share capital ("the THAP Shares") of Tommy Hilfiger Asia-Pacific Limited ("THAP") and its branch and subsidiary companies ("the THAP Acquisition") on 25th August, 2006 ("the Completion Date"). The licence fee received by the Group from the Artland Group in respect of the licensing of the sales corner under the Agreement No. 11 during the period from 1st April, 2006 to 24th August, 2006 was HK$717,000 which was below the maximum annual cap of HK$1,682,355.

(e) On 3rd February, 2005, HK Seibu, a member of the Group, as grantor and Tommy Hilfiger Marketing Limited, a member of the Artland Group, as licensee entered into a licence agreement ("the Agreement No. 12") regarding the licensing of a sales corner by the Group to the Artland Group in the Group's Seibu store at Langham Place, 8 Argyle Street, Kowloon, Hong Kong with a total retailing area of about 337 sq. ft. for a period of two years commencing from 1st November, 2004 and ending on 31st October, 2006. The licence fee payable by the Artland Group is based on a certain percentage of the monthly sales made at the sales corner but subject to a minimum monthly licence fee of HK$84,250 while the monthly fixture fee payable by the Artland Group is HK$9,000, both to be paid in cash within 20 days from the end of each month in arrears. The maximum annual cap (including licence fees and fixture fees) received by the Group for the licensing of the sales corner under the Agreement No. 12 for the financial year ended 31st March, 2007 is HK$689,250. The Agreement No. 12 ceased to be a continuing connected transaction of the Group upon the completion of the THAP Acquisition on the Completion Date. The licence fee and fixture fee received by the Group from the Artland Group in respect of the licensing of the sales corner under the Agreement No. 12 during the period from 1st April, 2006 to 24th August, 2006 was HK$427,000 which was below the maximum annual cap of HK$689,250.

(f) On 27th October, 2005, HK Seibu, a member of the Group, as grantor and Top Creation, a member of the Artland Group, as licensee entered into a licence agreement ("the Agreement No. 13") regarding the licensing of a sales corner by the Group to the Artland Group in the Pacific Place Seibu Store with a total retailing area of about 890 sq. ft. for a period of two years commencing from 19th September, 2005 and ending on 18th September, 2007. The licence fee payable by the Artland Group is based on a certain percentage of the monthly sales made at the sales corner but subject to a minimum monthly licence fee of HK$195,800, to be paid in cash within 20 days from the end of each month in arrears. The maximum annual caps received/receivable by the Group for the licensing of the sales corner under the Agreement No. 13 for the financial years ended/ending 31st March, 2007 and 31st March, 2008 are HK$3,718,500 and HK$2,603,000 respectively. The Agreement No. 13 ceased to be a continuing connected transaction of the Group upon the completion of the THAP Acquisition on the Completion Date. The licence fee received by the Group from the Artland Group in respect of the licensing of the sales corner under the Agreement No. 13 during the period from 1st April, 2006 to 24th August, 2006 was HK$979,000 which was below the maximum annual cap of HK$3,718,500.

(g) On 27th October, 2005, HK Seibu, a member of the Group, as grantor and Top Creation, a member of the Artland Group, as licensee entered into a licence agreement (“the Agreement No. 14”) regarding the licensing of a sales corner by the Group to the Artland Group in the Pacific Place Seibu Store with a total retailing area of about 780 sq. ft. for a period of two years commencing from 14th September, 2005 and ending on 13th September, 2007. The licence fee payable by the Artland Group is based on a certain percentage of the monthly sales made at the sales corner but subject to a minimum monthly licence fee of HK$117,000, to be paid in cash within 20 days from the end of each month in arrears. The maximum annual caps received/receivable by the Group for the licensing of the sales corner under the Agreement No. 14 for the financial years ended/ending 31st March, 2007 and 31st March, 2008 are HK$2,599,500 and HK$1,765,500 respectively. The Agreement No. 14 ceased to be a continuing connected transaction of the Group upon the completion of the THAP Acquisition on the Completion Date. The licence fee received by the Group from the Artland Group in respect of the licensing of the sales corner under the Agreement No. 14 during the period from 1st April, 2006 to 24th August, 2006 was HK$585,000 which was below the maximum annual cap of HK$2,599,500.

The independent shareholders (“Independent Shareholders”) of the Company (i.e. shareholders of the Company, other than Dr. Dickson Poon and his associates (the meaning of which is as ascribed under the Listing Rules)) approved the THAP Acquisition for a consideration of HK$396,000,000 to be settled upon the completion of the S&P Agreement (as defined below) at the special general meeting of the Company held on 24th August, 2006 on the terms and subject to the conditions of the conditional sale and purchase agreement dated 6th July, 2006 (“the S&P Agreement”) entered into between K.S.D.P. (International) Limited (“KSDP”), a member of the Artland Group, as vendor and Castlereagh, a member of the Group, as purchaser, Dr. Dickson Poon as guarantor and the Company as purchaser’s guarantor. Pursuant to the S&P Agreement, Castlereagh agreed to acquire and KSDP agreed to sell the THAP Shares and the Company agreed to guarantee the obligations of Castlereagh under the S&P Agreement and the related matters. The THAP Acquisition constituted a major and connected transaction of the Group. Following the completion of the THAP Acquisition on the Completion Date, THAP became a wholly-owned subsidiary company of the Company and the Agreements Nos. 11 to 14 ceased to be the continuing connected transactions of the Group.

3. During the year, the Group has on an on-going basis conducted transactions with Dickson Communications Limited (“Dickson Communications”) (which is indirectly wholly-owned by Dr. Dickson Poon and is principally engaged in the provision of advertising and promotion services) on normal commercial terms and in the ordinary and usual course of business of the Group, details of which are set out as follows :-

On 27th March, 2006, Dickson Communications as service provider and DCL, a member of the Group, as service receiver entered into and renewed a service agreement (“the Agreement No. 15”) regarding the provision of advertising and promotion services by Dickson Communications to the Group for a period of not exceeding three years commencing from 1st April, 2006 and ending on 31st March, 2009 in compliance with Rule 14A.35 of the Listing Rules. The Group pays a monthly retainer fee and a handling service fee at a rate of 10 per cent. of the media or other costs incurred and paid by the Group to any third party media specialists, agents or independent contractors in connection with the provision of these services to the Group and this handling service fee shall be payable on a monthly basis with a credit period of up to 30 days. The maximum annual caps paid/payable by the Group for the receipt of the advertising and promotion services from Dickson Communications under the Agreement No. 15 for the financial years ended/ending 31st March, 2007, 31st March, 2008 and 31st March, 2009 are HK$17,958,000, HK$26,937,000 and HK$40,406,000 respectively. The amount of the retainer fee and the handling service fee paid by the Group in respect of the receipt of advertising and promotion services from Dickson Communications during the year was HK$6,351,000 which was below the maximum annual cap of HK$17,958,000.

4. During the year, the Group has on an on-going basis conducted transactions with the DTG Group (i.e. Dickson Investment (Singapore) Pte. Ltd. ("Dickson Investment (S)") and Top Creation Singapore Pte. Ltd. ("Top Creation (S)"), both companies are directly wholly-owned by Dr. Dickson Poon, together with the subsidiary companies of Dickson Investment (S), which are principally engaged in the importing, exporting, sale of fashion consumer goods, investment holding and provision of management and supporting services) on normal commercial terms and in the ordinary and usual course of business of the Group, details of which are set out as follows :-

   (a) On 25th April, 2005, Dickson Concepts (Wholesale) Limited, a member of the Group, as seller and Dickson Trading (S) Pte Ltd ("Dickson Trading (S)"), a member of the DTG Group, as purchaser entered into a merchandise sale and purchase agreement ("the Agreement No. 16") regarding the wholesales of certain merchandise of different brand names by the Group to the DTG Group including apparel, accessories and watches, of which the Group owns the distribution rights of the respective merchandise in Asia, for a period of three years commencing from 1st April, 2005 and ending on 31st March, 2008. The selling prices of the merchandise will be the standard wholesale prices or with a trade discount ranging from 5 per cent. to 10 per cent., due upon shipment of the merchandise and to be settled in cash with a credit period of up to 60 days. The maximum annual caps received/receivable by the Group for the wholesales of merchandise to the DTG Group under the Agreement No. 16 for the financial years ended/ending 31st March, 2007 and 31st March, 2008 are HK$120,000,000 and HK$157,000,000 respectively. The Agreement No. 16 and the annual caps in relation thereto were approved by the Independent Shareholders at the special general meeting held on 6th June, 2005. The wholesales of merchandise by the Group to the DTG Group during the year was HK$65,871,000 which was below the maximum annual cap of HK$120,000,000.

   (b) On 27th March, 2006, Dickson Trading (S), a member of the DTG Group, as seller and Dickson Stores Pte Ltd ("Dickson Stores"), a member of the Group, as purchaser entered into and renewed a merchandise sale and purchase agreement ("the Agreement No. 17") regarding the purchases of certain merchandise by the Group from the DTG Group including, but not limited to, certain watches and leather goods under various international brand names for a period of not exceeding three years commencing from 1st April, 2006 and ending on 31st March, 2009 in compliance with Rule 14A.35 of the Listing Rules. The purchase prices of the merchandise are equal to the standard wholesale prices, due upon shipment of the merchandise and to be settled in cash with a credit period of up to 30 days. The maximum annual caps paid/payable by the Group for the purchases of merchandise from the DTG Group under the Agreement No. 17 for the financial years ended/ending 31st March, 2007, 31st March, 2008 and 31st March, 2009 are HK$805,000, HK$1,007,000 and HK$1,259,000 respectively. The purchases of merchandise by the Group from the DTG Group during the year was HK$186,000 which was below the maximum annual cap of HK$805,000.

   (c) On 27th March, 2006, Dickson Trading (S), a member of the DTG Group, as service provider and Dickson Stores, a member of the Group, as service receiver entered into and renewed a services agreement ("the Agreement No. 18") regarding the provision of certain management and supporting services by the DTG Group to the Group's Singapore retail shops including maintenance of accounting records and management supervision for a period of not exceeding three years commencing from 1st April, 2006 and ending on 31st March, 2009 in compliance with Rule 14A.35 of the Listing Rules. The service fee payable by the Group is based on the overhead costs incurred by the DTG Group in providing these services on a cost recovery basis to the Group and this service fee shall be payable on a monthly basis with no credit period. The maximum annual caps paid/payable by the Group for the receipt of management and supporting services from the DTG Group under the Agreement No. 18 for the financial years ended/ending 31st March, 2007, 31st March, 2008 and 31st March, 2009 are HK$6,858,000, HK$8,916,000 and HK$11,591,000 respectively. The service fee paid by the Group to the DTG Group in respect of the receipt of management and supporting services from the DTG Group during the year was HK$379,000 which was below the maximum annual cap of HK$6,858,000.

(d) On 3rd February, 2005, Dickson Investment (S), a member of the DTG Group, as lessor and Dickson Stores, a member of the Group, as lessee entered into a lease agreement ("the Old Agreement No. 19") regarding the leasing of a shop space ("the Shop Space") by the DTG Group to the Group in a shopping mall at #01-05/06, Centrepoint, No. 176 Orchard Road, Singapore with a total retailing area of about 689 sq. ft. for a period of two years commencing from 1st November, 2004 and ending on 31st October, 2006. The monthly rental payable by the Group for the first year is S$27,560 (about HK$142,000) and for the second year is S$31,005 (about HK$160,000), to be paid in cash on the first day of each month in advance. The maximum annual cap paid by the Group for the leasing of the Shop Space under the Old Agreement No. 19 for the financial year ended 31st March, 2007, based on the said monthly rental, is HK$1,035,692. The rental paid by the Group to the DTG Group in respect of the leasing of the Shop Space under the Old Agreement No. 19 during the year was HK$1,035,692 which was the same as the maximum annual cap.

On 27th September, 2006, the Old Agreement No. 19 was renewed and a new lease agreement ("the Agreement No. 19") was entered into in respect of the Shop Space for a further period of three years commencing from 1st November, 2006 and ending on 31st October, 2009. The monthly rental payable by the Group for the first year is S$34,450 (about HK$177,000), for the second year is S$36,517 (about HK$188,000) and for the third year is S$37,895 (about HK$195,000), to be paid in cash on the first day of each month in advance. The maximum annual caps paid/payable by the Group for the leasing of the Shop Space under the Agreement No. 19 for the financial years ended/ending 31st March, 2007, 31st March, 2008, 31st March, 2009 and 31st March, 2010, based on the said monthly rental, are S$173,000 (about HK$891,000) (five months), S$424,000 (about HK$2,183,000), S$446,000 (about HK$2,297,000) and S$266,000 (about HK$1,370,000) (seven months) respectively. The rental paid by the Group to the DTG Group in respect of the leasing of the Shop Space under the Agreement No. 19 was HK$856,000 which was below the maximum annual cap of S$173,000 (about HK$891,000) (five months).

(e) On 6th July, 2006, THAP, a member of the Group upon the completion of the THAP Acquisition on the Completion Date, as seller and Top Creation (S), a member of the DTG Group, as purchaser entered into a conditional merchandise sale and purchase agreement ("the Agreement No. 20") regarding the sales of certain merchandise by the Group to the DTG Group including, but not limited to, apparel, leather goods and accessories under the brand name of "Tommy Hilfiger" for a period of three years commencing from the Completion Date. The selling prices of the merchandise are at the standard wholesale prices or with a trade discount ranging from 5 per cent. to 10 per cent., due upon shipment of the merchandise and to be settled in cash with a credit period of up to 60 days. The maximum annual caps received/receivable by the Group for the sales of merchandise to the DTG Group under the Agreement No. 20 for the financial years ended/ending 31st March, 2007, 31st March, 2008, 31st March, 2009 and 31st March, 2010 are HK$9,070,000 (seven months), HK$20,210,000, HK$26,270,000 and HK$14,230,000 (five months) respectively (based on the assumption that the date of completion of the THAP Acquisition was 1st September, 2006). The sales of merchandise by the Group to the DTG Group under the Agreement No. 20 during the year was HK$9,070,000 which was the same as the maximum annual cap.

5. During the year, the Group has on an on-going basis conducted transactions with Tommy Hilfiger Handbags and Small Leather Goods Inc. ("TH Handbags") (a company incorporated in the United States of America and wholly-owned by a trust established for the benefit of the members of Dr. Dickson Poon's family, which is principally engaged in the designing, manufacturing and distribution of handbags and leather goods) on normal commercial terms and in the ordinary and usual course of business of the Group, details of which are set out as follows :-

On 6th July, 2006, TH Handbags as seller and THAP, a member of the Group upon the completion of the THAP Acquisition on the Completion Date, as purchaser entered into a conditional merchandise sale and purchase agreement ("the Agreement No. 21") regarding the purchases of certain merchandise by the Group from TH Handbags including, but not limited to, handbags and leather goods under the brand name of "Tommy Hilfiger" for a period of three years commencing from the Completion Date. The purchase prices of the merchandise are equal to the standard wholesale prices, due upon shipment of the merchandise and to be settled in cash with no credit period. The maximum annual caps paid/payable by the Group for the purchases of merchandise from TH Handbags under the Agreement No. 21 for the financial years ended/ending 31st March, 2007, 31st March, 2008, 31st March, 2009 and 31st March, 2010 are HK$1,170,000 (seven months), HK$2,610,000, HK$3,390,000 and HK$1,840,000 (five months) respectively (based on the assumption that the date of completion of the THAP Acquisition was 1st September, 2006). The purchases of merchandise by the Group from TH Handbags under the Agreement No. 21 during the year was HK$504,000 which was below the maximum annual cap of HK$1,170,000 (seven months).

In connection with the above continuing connected transactions, (i) the maximum aggregate annual caps paid/payable by the Group for the receipt of the management and/or supporting services from the ST Dupont Group and the DTG Group under the Agreements Nos. 3 and 18 for the financial years ended/ending 31st March, 2007, 31st March, 2008 and 31st March, 2009 are HK$6,979,000, HK$9,074,000 and HK$11,797,000 respectively; (ii) the maximum aggregate annual caps received/receivable by the Group for the provision of management and supporting services and/or interior design services to the ST Dupont Group under the Agreements Nos. 4a, 4b and 5 for the financial years ended/ending 31st March, 2007, 31st March, 2008 and 31st March, 2009 are HK$12,707,000, HK$16,520,000 and HK$21,477,000 respectively; and (iii) the maximum aggregate annual caps received/receivable by the Group for the licensing of properties to the ST Dupont Group and the Artland Group under the Old Agreement No. 6 and Agreements Nos. 10, 13 and 14 for the financial years ended/ending 31st March, 2007 and 31st March, 2008 are HK$15,589,000 and HK$6,511,300 respectively of which the Agreements Nos. 13 and 14 ceased to be the continuing connected transactions of the Group upon the completion of the THAP Acquisition on the Completion Date.

The above continuing connected transactions have been reviewed by the directors of the Company (including the independent non-executive directors). The independent non-executive directors of the Company have confirmed that during the year the above continuing connected transactions have been entered into :-

(i) in the ordinary and usual course of business of the Group;
(ii) on normal commercial terms or, where there is no available comparison, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The above continuing connected transactions have also been reviewed by the independent auditor of the Company who have confirmed that during the year the above continuing connected transactions :-

(i) have received the approval of the Company's Board of Directors;
(ii) are in accordance with the pricing policies of the Company;
(iii) have been entered into in accordance with the relevant agreements governing them; and
(iv) have not exceeded the caps as stated above.

Director's Interest in Competing Business

Set out below is information disclosed pursuant to Rule 8.10 of the Listing Rules :-

1. Mr. Walter Josef Wuest, an Executive Director, is a member of the supervisory board of S.T. Dupont S.A. and is deemed to have an interest in S.T. Dupont S.A. under Rule 8.10 of the Listing Rules.

   Certain subsidiary companies of S.T. Dupont S.A. carry on the sale of the S.T. Dupont products in Hong Kong, the PRC, Taiwan, Singapore and Malaysia and are deemed as competing with the wholesale and retail businesses of the Group. However, the S.T. Dupont brand is targeted at its own specific customer base which is attracted by its unique history and exclusive product range. Given the distinct features of the S.T. Dupont brand, the Group considers that its interests are adequately safeguarded. The day-to-day operations of the Group and the ST Dupont Group are managed by two distinct management teams based in Hong Kong and France respectively except for Mr. Walter Josef Wuest who as aforementioned is one of the three supervisory board members.

   In order to further safeguard the interests of the Group, those directors of the Company not interested in this competing business review on a regular basis the businesses and operations of the Group to ensure that its businesses are run on the basis that they are independent of, and at arm's length from, these subsidiary companies of S.T. Dupont S.A..

2. Dr. Dickson Poon, the Group Executive Chairman, is a director of Artland and Precision and the ultimate shareholder of the Artland Group which is engaged in the sale of watches and jewellery in Hong Kong. These businesses are deemed as competing with the retail business of the Group. However, the Artland Group targets its own specific customer base which is attracted by its unique history, reputation and image. Given the distinct features of the Artland Group's customer base, the Group considers that its interests are adequately safeguarded. The day-to-day operations of the Group and the Artland Group are managed by two distinct management teams except for Dr. Dickson Poon who as aforementioned is one of the four board members of Artland and one of the five board members of Precision.

   In order to further safeguard the interests of the Group, those directors of the Company not interested in this competing business review on a regular basis the businesses and operations of the Group to ensure that its businesses are run on the basis that they are independent of, and at arm's length from, the Artland Group.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained the prescribed amount of public float as required under the Listing Rules at all times up to the date of this report.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance. The Company recognises that corporate governance practices are fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and enhance shareholder value.

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31st March, 2007. Detailed information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 32 to 38.

Independent Auditor

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as independent auditor of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

Dickson Poon
Group Executive Chairman

Hong Kong, 26th June, 2007

This report describes the Company's corporate governance practices and explains the application of the principles of the code provisions of the Code on Corporate Governance Practices ("the CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") throughout the year ended 31st March, 2007.

Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance. The Company recognises that corporate governance practices are fundamental to the smooth, effective and transparent operation of a company and its ability to attract investment, protect the rights of shareholders and enhance shareholder value.

The Company has complied with the code provisions of the CG Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31st March, 2007.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("the Directors' Model Code") as set out in Appendix 10 of the Listing Rules as the code for securities transactions by the Directors. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard set out in the Directors' Model Code throughout the year ended 31st March, 2007.

Board of Directors

The Board of Directors ("the Board") currently comprises nine directors, namely the Chairman, the Deputy Chairman, four Executive Directors and three Independent Non-Executive Directors ("INEDs"). During the year, Mr. Ching Sau Hong, Kevin, an Executive Director, tendered his resignation with effect from 1st July, 2006 and the same was disclosed in the announcement of the Company dated 28th April, 2006. Biographical details of the current Directors and the relevant relationships among them, if any, are set out on pages 17 and 18.

The Board meets regularly at least four times a year at approximately quarterly intervals. Regular Board Meetings of the year are scheduled in advance and at least 14 days' notice is given to Directors. All Directors are given an opportunity to include matters in the agenda for Board Meetings. Four regular Board Meetings, one ad hoc Board Meeting and one ad hoc Independent Board Committee Meeting were held during the year ended 31st March, 2007. The attendance record of each Director at the Board Meetings during the year ended 31st March, 2007 is set out below :-

Directors	No. of Meetings Attended/Held
Executive Directors	
Dr. Dickson Poon (Group Executive Chairman)	5/5
Mr. Raymond Lee (Deputy Chairman and Chief Executive Officer)	5/5
Mr. Chan Tsang Wing, Nelson	5/5
Mr. Ching Sau Hong, Kevin (Resigned on 1st July, 2006)	0/1
Mr. Edwin Ing	5/5
Mr. Ng Chan Lam	4/5
Mr. Walter Josef Wuest	5/5

INEDs	
Mr. Bhanusak Asvaintra	5/6
Mr. Nicholas Peter Etches	6/6
Mr. Christopher Patrick Langley, OBE	6/6

The Board is responsible for determining those matters that are to be retained for full Board sanction including, but not limited to, overall strategy and long-term objectives, new business activities, annual budgets, business plans and financial statements, interim and final results announcements, material acquisitions and disposals of assets, investments, capital projects and commitments, annual internal control assessment, major treasury, funding and risk management policies as well as material connected transactions.

The Board has delegated the day-to-day responsibility in respect of management and administrative functions to management including, but not limited to, implementing and achieving the strategies and objectives set by the Board as well as overseeing the performance of different functions/departments and monitoring and implementing proper internal controls and systems.

Directors' Responsibilities for Preparing Accounts

The Company's Directors acknowledge their responsibilities to prepare accounts for each half and full financial year which give a true and fair view of the state of affairs of the Group. The Directors' responsibilities for the accounts are set out in the Independent Auditor's Report on pages 39 and 40.

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer ("CEO") are separate and are not exercised by the same individual so as to ensure a clear division between the Chairman's responsibility to manage the Board and the CEO's responsibility to manage the Company's business. Currently, Dr. Dickson Poon is the Group Executive Chairman and Mr. Raymond Lee is the CEO of the Company. A list setting out the respective responsibilities of the Chairman and the CEO was adopted by the Company at the Board Meeting held on 22nd June, 2005.

Non-Executive Directors

There are currently three INEDs. The terms of office of all the INEDs, subject to earlier determination or re-election under retirement by rotation in accordance with the Company's New Bye-laws and/or applicable laws and regulations, are fixed for one year renewable on an annual basis.

The Company has received from each of the INEDs their annual confirmation of independence and considers that each of the INEDs is independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

Remuneration of Directors

The Remuneration Committee comprises three members and is chaired by Mr. Bhanusak Asvaintra, an INED, with Mr. Nicholas Peter Etches, an INED, and Mr. Raymond Lee, the CEO, as members. The terms of reference of the Remuneration Committee are aligned with the provisions set out in the CG Code. Given below are the main duties of the Remuneration Committee :-

(i) to recommend to the Board the Company's policy and structure for all remuneration of Directors and senior management;

(ii) to determine the specific remuneration packages of all Executive Directors and senior management;

(iii) to review performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(iv) to review and approve the compensation payable to Executive Directors and senior management in connection with any loss or termination of their office or appointment; and

(v) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct.

A Remuneration Committee meeting was held during the year ended 31st March, 2007 which all members attended.

The work performed by the Remuneration Committee for the year ended 31st March, 2007 was in accordance with the terms of reference of the Remuneration Committee and is summarised below :-

(i) reviewed the remuneration packages for all the Directors and senior management;

(ii) reviewed performance-based remuneration;

(iii) recommended the directors' fees for the year ended 31st March, 2007 for each Executive Director and reviewed the directors' fees for Non-Executive Directors for shareholders' approval at the forthcoming 2007 Annual General Meeting; and

(iv) considered the grant of share options to Directors and senior management, if appropriate.

The primary aim of the remuneration policy is to enable the Company to motivate and retain Executive Directors and senior management by comparing their performance against corporate goals and objectives when determining appropriate compensation to them. The principal elements of the remuneration package include basic salary, discretionary bonus, retirement scheme contributions and share options. In determining guidelines for each compensation element, the Company refers to the comparable remuneration standard in the market.

Non-Executive Directors are compensated with the primary aim to fairly represent their efforts and time dedicated to the Board and Committee Meetings. The fees of Non-Executive Directors are subject to annual assessment and recommendation by management and reviewed by the Remuneration Committee for shareholders' approval at the Annual General Meeting.

In determining the level of fees of Non-Executive Directors, account is taken of factors such as directors' fees paid by comparable companies, and time commitment and responsibilities of the Non-Executive Directors.

The amount of remuneration paid to each Director for the year ended 31st March, 2007 is set out on page 59.

Nomination of Directors

The Company does not have a nomination committee as the role and function of such a committee is performed by the Board. Any member of the Board may nominate any suitable person to join the Board if considered necessary. Such nomination must then be approved by the Board. Any new Director shall hold office only until the next following Annual General Meeting of the Company and shall then be eligible for re-election at the Annual General Meeting. Mr. Ching Sau Hong, Kevin tendered his resignation as an Executive Director of the Company with effect from 1st July, 2006 in order to pursue other career interests and no replacement was appointed in his place. No Board Meeting regarding nomination of Directors was held during the year.

Auditors' Remuneration

During the year ended 31st March, 2007, the fees charged to the accounts of the Company and its subsidiary companies (together "the Group") for the Group's statutory audit services amounted to HK$4,703,000 (2006 : HK$4,032,000), and in addition HK$261,000 (2006 : HK$307,000) for other non-statutory audit services such as advisory services.

Independent Auditor's Reporting Responsibilities

The reporting responsibilities of KPMG, the Independent Auditor ("the Independent Auditor"), are set out in the Independent Auditor's Report on pages 39 and 40.

Audit Committee

The Audit Committee comprises three members and is chaired by Mr. Nicholas Peter Etches, an INED, with Mr. Bhanusak Asvaintra and Mr. Christopher Patrick Langley, OBE, both INEDs, as members. The terms of reference of the Audit Committee are aligned with the provisions set out in the CG Code. Given below are the main duties of the Audit Committee :-

(i) to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and to answer any questions relating to the resignation or dismissal of those auditors;

(ii) to review before submission to the Board the Company's annual report and accounts, half-year report and any significant financial reporting judgments contained therein with particular focus on :-

- any changes in accounting policies and practices;
- major judgmental areas;
- significant adjustments resulting from audit;
- the going concern assumptions and any qualifications;
- compliance with accounting standards; and
- compliance with the Listing Rules and other legal requirements in relation to financial reporting;

(iii) to review the contents of the representation letter to the external auditors prior to submission to the Board;

(iv) to review the financial controls, internal control and risk management systems;

(v) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(vi) to ensure co-ordination between the internal and external auditors and to review and monitor the effectiveness of the internal audit function; and

(vii) to review the Group's financial and accounting policies and practices.

Four Audit Committee Meetings were held during the year ended 31st March, 2007. The attendance record of each member at the Audit Committee Meetings during the year ended 31st March, 2007 is set out below :-

Audit Committee Members	No. of Meetings Attended/Held
Mr. Nicholas Peter Etches (Chairman)	4/4
Mr. Bhanusak Asvaintra	4/4
Mr. Christopher Patrick Langley, OBE	4/4

The work performed by the Audit Committee for the year ended 31st March, 2007 was in accordance with the terms of reference of the Audit Committee and is mainly summarised below :-

(i) reviewed and discussed with the Independent Auditor before submission to the Board the Company's annual report and accounts, half year report and any significant financial reporting judgments contained therein together with the relevant draft letters of representation addressed to the Independent Auditor;

(ii) reviewed the Company's quarterly operating results and financial highlights for the three month period ended 30th June, 2006 and nine month period ended 31st December, 2006 respectively;

(iii) reviewed the effectiveness of the internal control system of the Group covering material controls for financial, operational, compliance and risk management;

(iv) reviewed the quarterly reports from the Head of Group Internal Audit Department;

(v) considered the audit plan for 2007/2008; and

(vi) considered matters relating to the continuing connected transactions with private group companies.

Internal Controls

The Board has the overall responsibility for maintaining sound and effective internal controls to safeguard the shareholders' investment and the Group's assets. The Group's internal control systems are designed to provide reasonable assurance that material misstatement or loss can be avoided, and to manage and minimise risks of failure in operational systems.

Apart from annual review of the effectiveness of the Group's internal control system by the Board, it delegates such responsibility of reviewing the effectiveness of the Group's internal control systems to the Audit Committee which monitors the Group's internal control systems through the Group Internal Audit Department. The Group Internal Audit Department performs regular independent reviews of all material controls, including financial, operational and compliance controls and risk management functions of the Group and evaluates their adequacy and effectiveness on a continuing basis. The annual audit plan is discussed and agreed every year with the Audit Committee. A report of major audit findings is submitted quarterly to the members of the Audit Committee and discussed at the Audit Committee Meetings. The audit reports are then followed up by the Group Internal Audit Department to ensure corrective actions have been taken in respect of findings previously identified and that they have been properly resolved. Internal audits are designed to provide the Board with reasonable assurance that sound and effective internal control systems of the Group are implemented for protecting the Group's assets and identifying business risks.

Apart from the regular independent reviews by the Group Internal Audit Department, there is an annual compliance review by the functional departments of the Company. For the year under review, various compliance certificates for the year ended 31st March, 2007 were received from the Department Heads / Officers of the Company countersigned by the Head of Group Internal Audit Department confirming that internal control systems have been assessed and compliance reviews have been conducted by departments (with the relevant disclosure of matters arising and remedial action taken, if any) and reviewed by the Group Internal Audit Department. The certificates also included confirmation that the internal control procedures of the relevant departments have been complied with and their internal control systems with the relevant risk assessment are effective and in compliance with all the relevant statutory requirements and regulations.

A model code for securities transactions by relevant employees ("the Relevant Employees' Model Code") has been adopted by the Company which sets out the securities dealing and confidentiality requirements for compliance by all Relevant Employees (as defined in the Relevant Employees' Model Code) of the Company which is on no less exacting terms than the Directors' Model Code. Amongst the requirements under the Relevant Employees' Model Code, the Relevant Employees who have knowledge of unpublished price-sensitive information should take extra care and treat such information in the strictest confidence. In addition, the Company will issue memoranda annually and through the Department Heads / Officers from time to time to remind the Relevant Employees of the Company to observe the said requirements.

The Board has reviewed the effectiveness of the Group's internal control system covering all material controls, including financial, operational, compliance and risk management for the year under review and in view of the above, it considered that the Group's internal control systems are effective, adequate and in compliance with the code provision on internal control of the CG Code.

Investor Relations and Communication with Shareholders

The Company has established a range of communication channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. These include the Interim Report, Annual Report and circulars which are sent to shareholders from time to time. Moreover, regular meetings with institutional investors and analysts are held to keep them abreast of the Company's development. In order to promote effective communication, the Company maintains its website at www.dickson.com.hk on which press releases, announcements and financial and other information relating to the Company and its businesses are disclosed.

All shareholders are encouraged to attend the Annual General Meeting and they are informed of the procedure for demanding a poll in all circulars which are sent to shareholders from time to time together with notices of general meetings of the Company. The Company has taken steps to ensure compliance with the requirements about voting by poll contained in the Listing Rules and the New Bye-laws of the Company and poll results are published on the Stock Exchange's website at www.hkex.com.hk and on the Company's website as soon as possible after the meeting, but in any event not later than 9:00 a.m. on the next business day following the meeting. The Directors and the Independent Auditor also attend the Annual General Meetings to answer shareholders' questions, if any.

By Order of the Board

Dickson Poon
Group Executive Chairman

Hong Kong, 26th June, 2007

To the Shareholders of Dickson Concepts (International) Limited *(incorporated in Bermuda with limited liability)*

We have audited the consolidated accounts of Dickson Concepts (International) Limited (the "Company") set out on pages 41 to 84, which comprise the consolidated and Company balance sheets as at 31st March, 2007, and the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Accounts

The directors of the Company are responsible for the preparation and the true and fair presentation of these accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these accounts based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2007 and of the Group’s profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

Hong Kong, 26th June, 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March, 2007

	NOTE	**2007** *HK$'000*	2006 *HK$'000*
Turnover	2	**3,099,967**	2,643,073
Cost of sales		**(1,372,257)**	(1,168,494)
Gross profit		**1,727,710**	1,474,579
Other income		**31,050**	33,133
Selling and distribution expenses		**(1,212,958)**	(1,013,860)
Administrative expenses		**(236,597)**	(180,046)
Other operating expenses		**(92,890)**	(81,718)
Operating profit		**216,315**	232,088
Finance costs		**(3,968)**	(1,499)
Share of profits less losses of associated companies		**13,631**	8,522
Profit before taxation	3	**225,978**	239,111
Taxation	6	**(39,589)**	(30,395)
Profit for the year		**186,389**	208,716
Attributable to :-			
Equity shareholders of the Company	7 & 22	**186,176**	208,388
Minority interests	22	**213**	328
Profit for the year		**186,389**	208,716
Dividends payable to equity shareholders of the Company attributable to the year :-			
— Interim dividend declared and paid during the year	8(a)	**13.8 cents**	13.8 cents
— Final dividend proposed after the balance sheet date	8(a)	**27.5 cents**	27.5 cents
		41.3 cents	41.3 cents
Earnings per share (basic and diluted)	9	**60.0 cents**	67.2 cents

The notes on pages 46 to 84 form part of these accounts.

BALANCE SHEETS

At 31st March, 2007

	NOTE	The Group 2007 HK$'000	The Group 2006 HK$'000	The Company 2007 HK$'000	The Company 2006 HK$'000
Non-current assets					
Fixed assets	10	**405,230**	288,920	**—**	—
Intangible asset	11	**297,139**	—	**—**	—
Goodwill	28(d)	**13,900**	13,900	**—**	—
Subsidiary companies	12	**—**	—	**550,263**	663,425
Associated companies	13	**115,597**	99,576	**—**	—
Deferred tax assets	19(a)	**25,372**	13,724	**—**	—
		857,238	416,120	**550,263**	663,425
Current assets					
Stocks	14	**834,621**	678,156	**—**	—
Debtors, deposits and prepayments	15	**380,754**	294,333	**168**	235
Bills receivable		**824**	1,001	**—**	—
Tax recoverable	6(c)	**1,816**	5	**—**	—
Cash and cash equivalents	16	**187,793**	571,896	**41**	14,782
		1,405,808	1,545,391	**209**	15,017
Current liabilities					
Bank loans	17	**141,713**	65,424	**—**	—
Bills payable		**52,102**	24,511	**—**	—
Creditors and accruals	18	**643,972**	513,147	**178**	85
Taxation	6(c)	**21,528**	15,793	**—**	—
		859,315	618,875	**178**	85
Net current assets		**546,493**	926,516	**31**	14,932
Total assets less current liabilities		**1,403,731**	1,342,636	**550,294**	678,357
Non-current liabilities					
Deferred tax liabilities	19(a)	**1,938**	1,855	**—**	—
Net assets		**1,401,793**	1,340,781	**550,294**	678,357
Capital and reserves					
Share capital	21	**93,093**	93,093	**93,093**	93,093
Reserves	22	**1,302,668**	1,233,989	**457,201**	585,264
Total equity attributable to equity shareholders of the Company		**1,395,761**	1,327,082	**550,294**	678,357
Minority interests	20 & 22	**6,032**	13,699	**—**	—
Total equity		**1,401,793**	1,340,781	**550,294**	678,357

Approved and authorised for issue by the Board of Directors on 26th June, 2007.

Dickson Poon
Group Executive Chairman

Raymond Lee
Deputy Chairman and Chief Executive Officer

The notes on pages 46 to 84 form part of these accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2007

	NOTE	**2007** *HK$'000*	**2007** *HK$'000*	2006 *HK$'000*	2006 *HK$'000*
Total equity at 1 April			**1,340,781**		1,394,823
Translation of accounts of overseas subsidiary and associated companies		**10,923**		(3,532)	
Net profit/(loss) for the year recognised directly in equity			**10,923**		(3,532)
Net profit for the year			**186,389**		208,716
Total recognised income for the year			**197,312**		205,184
Attributable to :-					
Equity shareholders of the Company		**196,838**		204,486	
Minority interests		**474**		698	
		197,312		205,184	
Transfer of minority interests to creditors on liquidation of a subsidiary company	22		**(8,141)**		—
Repayment of loan from a minority shareholder	22		—		(2,006)
Dividends declared or approved during the year	8(a) & 8(b)		**(128,159)**		(257,220)
Total equity at 31st March			**1,401,793**		1,340,781

The notes on pages 46 to 84 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2007

	2007		2006	
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Operating activities				
Profit before taxation	**225,978**		239,111	
Adjustments for :-				
Depreciation	**88,617**		72,985	
Amortisation of intangible asset	**25,468**		—	
Interest income	**(8,347)**		(17,953)	
Interest expenses	**3,968**		1,499	
Share of profits less losses of associated companies	**(13,631)**		(8,522)	
(Gain)/loss on disposal of fixed assets	**(8,538)**		1,276	
Operating profit before changes in working capital	**313,515**		288,396	
Increase in stocks	**(106,770)**		(156,150)	
Decrease in bills receivable	**177**		975	
Increase in debtors, deposits and prepayments	**(38,219)**		(47,875)	
Increase/(decrease) in bills payable	**27,591**		(858)	
Increase in creditors and accruals	**35,644**		7,977	
(Increase)/decrease in amounts due from associated companies (net)	**(2,911)**		16,948	
Effect of foreign exchange rate changes	**1,245**		(4,260)	
Cash generated from operations	**230,272**		105,153	
Hong Kong profits tax paid (net)	**(4,549)**		(66)	
Overseas tax paid (net)	**(41,376)**		(30,085)	
Net cash generated from operating activities		**184,347**		75,002
Investing activities				
Payment for purchase of fixed assets	**(184,895)**		(177,354)	
Proceeds from sale of fixed assets	**10,777**		2,860	
Payment for purchase of subsidiary companies net of cash acquired (Note a)	**(359,060)**		—	
Interest received	**8,347**		17,953	
Dividends received from associated companies	**8,341**		6,737	
Net cash used in investing activities		**(516,490)**		(149,804)

	2007		2006	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financing activities				
Repayment of loan from a minority shareholder	**—**		(2,006)	
Repayment of bank loans	**(8,912)**		(1,858)	
New bank loans	**85,068**		11,924	
Interest paid	**(3,968)**		(1,499)	
Dividends paid	**(128,159)**		(257,220)	
Net cash used in financing activities		**(55,971)**		(250,659)
Net decrease in cash and cash equivalents		**(388,114)**		(325,461)
Cash and cash equivalents at 1st April		**571,896**		898,774
Effect of foreign exchange rate changes		**4,011**		(1,417)
Cash and cash equivalents at 31st March (Note b)		**187,793**		571,896

Note :-

a. Acquisition of subsidiary companies

During the year, the Group acquired certain subsidiary companies. The fair value of assets acquired and liabilities assumed were as follows :-

	2007
	HK$'000
Cash	**41,210**
Stocks	**49,695**
Debtors, deposits and prepayments (including defined benefit retirement scheme assets amounted to HK$478,000)	**48,202**
Fixed assets	**13,921**
Deferred tax assets	**4,472**
Creditors and accruals	**(76,837)**
Taxation	**(3,000)**
Net tangible assets acquired	**77,663**
Intangible asset (Note 11)	**322,607**
Fair value of net assets acquired	**400,270**
Satisfied by cash	**400,270**

Analysis of the net outflow of cash and cash equivalents in respect of the purchase of new subsidiary companies :-

Cash consideration	**400,270**
Cash acquired	**(41,210)**
Net outflow of cash and cash equivalents in respect of the purchase of new subsidiary companies	**359,060**

b. Cash and cash equivalents at 31 March

Cash and cash equivalents represent cash at bank and on hand at the end of the year.

The notes on pages 46 to 84 form part of these accounts.

1. *PRINCIPAL ACCOUNTING POLICIES*

These accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). A summary of the principal accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies applied in these accounts for the years presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see Note 29).

(a) Basis of preparation of the accounts

The consolidated accounts for the year ended 31st March, 2007 comprise the Company and its subsidiary companies (together referred to as the "Group") and the Group's interest in associated companies.

The measurement basis used in the preparation of the accounts is historical cost except the derivative financial instruments (Note 1(e)) and interest-bearing borrowings (Note 1(l)) which are stated at fair value.

The preparation of accounts in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the accounts and estimates are discussed in Note 28.

(b) Subsidiary companies and minority interests

Subsidiary companies are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary company is consolidated into the consolidated accounts from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

1. *PRINCIPAL ACCOUNTING POLICIES* *(cont'd)*

(b) Subsidiary companies and minority interests *(cont'd)*

Minority interests represent the portion of the net assets of subsidiary companies attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiary companies, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary company, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary company subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary company is stated at cost less impairment losses (see Note 1(h)).

(c) Associated companies

An associated company is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associated company is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associated company's net assets. The consolidated profit and loss account includes the Group's share of the post-acquisition, post-tax results of the associated companies for the year, including any impairment loss on goodwill relating to the investment in associated companies recognised for the year (see Notes 1(d) and (h)).

When the Group's share of losses exceeds its interest in the associated company, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associated company. For this purpose, the Group's interest in the associated company is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associated company.

Unrealised profits and losses resulting from transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated company, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated profit and loss account.

1. *PRINCIPAL ACCOUNTING POLICIES* *(cont'd)*

(d) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associated company over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see Note 1(h)). In respect of associated companies, the carrying amount of goodwill is included in the carrying amount of the interest in the associated company.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associated company is recognised immediately in the consolidated profit and loss account.

On disposal of a cash-generating unit or an associated company during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to the consolidated profit and loss account, except where the derivative financial instruments qualify for cash flow hedge accounting, in which case any resultant gain or loss is recognised in equity to the extent that the hedge is effective and until the hedged transaction occurs. The ineffective portion of any gain or loss and any other changes in fair value of derivative financial instruments are recognised in the consolidated profit and loss account.

(f) Fixed assets and depreciation

Fixed assets are stated in the balance sheet at cost less aggregate depreciation and impairment losses (see Note 1(h)).

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows :-

Leasehold land and buildings	50 years or the remaining lease term whichever is shorter
Leasehold improvements	4 - 5 years or the remaining lease term whichever is shorter
Furniture, fixtures, equipment and motor vehicles	3 - 6 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the consolidated profit and loss account on the date of retirement or disposal.

Restoration costs are provided for and included in fixed assets and charged to the consolidated profit and loss account on a straight-line basis over the lease terms.

1. *PRINCIPAL ACCOUNTING POLICIES* *(cont'd)*

(g) Intangible asset

Intangible asset acquired by the Group is stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 1(h)).

Amortisation of intangible asset with a finite useful life is charged to the consolidated profit and loss account on a straight-line basis over the asset's estimated useful life. The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated useful life is as follows :-

— exclusive distribution rights 7.6 years

(h) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased :-

— fixed assets;
— intangible asset;
— investments in subsidiary and associated companies; and
— goodwill.

If any such indication exists, the recoverable amount of the asset is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Recognition of impairment losses

An impairment loss is recognised in the consolidated profit and loss account whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

(iii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the carrying amount of the asset that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated profit and loss account in the year in which the reversals are recognised.

1. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(i) Stocks

Stocks are carried at the lower of cost and net realisable value.

Cost is calculated using the FIFO method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the stocks to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When stocks are sold, the carrying amount of those stocks is recognised as an expense in the year in which the related revenue is recognised. The amount of any write-down of stocks to net realisable value and all losses of stocks are recognised as an expense in the year the write-down or loss occurs. The amount of any reversal of any write-down of stocks is recognised as a reduction in the amount of stocks recognised as an expense in the year in which the reversal occurs.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, are included in fixed assets. Depreciation is provided at rates which write off the cost of the assets as set out in Note 1(f). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 1(h). Contingent rentals are charged to the consolidated profit and loss account in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the consolidated profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the consolidated profit and loss account as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated profit and loss account in the accounting period in which they are incurred.

1. *PRINCIPAL ACCOUNTING POLICIES* *(cont'd)*

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted where the effect of discounting is material.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the consolidated profit and loss account over the period of the borrowings, together with any interest and fee payable, using the effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement schemes

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement schemes and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement scheme obligations

The Group's net obligation in respect of defined benefit retirement schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine the present value and the fair value of any scheme assets is deducted. The discount rate is the yield at balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by an independent qualified actuary using the projected unit credit method.

1. *PRINCIPAL ACCOUNTING POLICIES* *(cont'd)*

(o) Employee benefits *(cont'd)*

When the benefits of a scheme are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the consolidated profit and loss account on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately, the expense is recognised immediately in the consolidated profit and loss account.

In calculating the Group's obligation in respect of a scheme, if any cumulative unrecognised actuarial gain or loss exceeds 10 per cent. of the greater of the present value of the defined benefit obligation and the fair value of scheme assets, that portion is recognised in the consolidated profit and loss account over the expected average remaining working lives of the employees participating in the scheme. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation of the Group's net obligation results in a negative amount, the asset recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service costs and the present value of any future refunds from the scheme or reductions in future contributions to the scheme.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(p) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the consolidated profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1. *PRINCIPAL ACCOUNTING POLICIES* *(cont'd)*

(p) Income tax *(cont'd)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (providing they are not part of a business combination), and temporary differences relating to investments in subsidiary companies to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met :-

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either :-

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1. *PRINCIPAL ACCOUNTING POLICIES* *(cont'd)*

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specific payments to reimburse the beneficiary of the guarantee ("the holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's accounting policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the consolidated profit and loss account on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the consolidated profit and loss account over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 1(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1. PRINCIPAL ACCOUNTING POLICIES *(cont'd)*

(r) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated profit and loss account as follows :-

(i) Sales of goods and income from sale of concession and consigned goods

Revenue and income are recognised when goods are sold and the related risks and rewards of ownership of the goods have been transferred to the customers. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Royalty income

Royalty income is accrued on a time proportioned basis over the term of the royalty agreement.

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange differences are recognised in the consolidated profit and loss account.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1st April, 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1st April, 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

(t) Borrowing costs

Borrowing costs are expensed in the consolidated profit and loss account in the year in which they are incurred.

1. *PRINCIPAL ACCOUNTING POLICIES* *(cont'd)*

(u) Related parties

For the purposes of these accounts, a party is considered to be related to the Group if :-

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these accounts.

Segment turnover and assets include items directly attributable to a segment. Segment assets include primarily inventories, trade receivables, property, plant and equipment and operating cash. Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

2. *TURNOVER / SEGMENTAL INFORMATION*

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are set out on pages 80 to 84.

Turnover represents the invoiced value of goods sold less discounts and returns, and income from concession and consignment sales.

Business segment

The Group has a single business segment which is the sale of luxury goods. Accordingly, the segment information for this sole business segment is equivalent to the consolidated figures.

Geographical segments

In presenting information on the basis of geographical segments, segment turnover is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

		2007	
	Turnover	**Capital expenditure**	**Total assets**
	HK$'000	***HK$'000***	***HK$'000***
Hong Kong	**1,689,491**	**92,339**	**1,024,949**
Taiwan	**703,685**	**24,253**	**521,106**
China	**430,797**	**75,696**	**472,785**
Other territories (Mainly Asia)	**275,994**	**1,912**	**128,609**
	3,099,967	**194,200**	**2,147,449**
Associated companies			**115,597**
Total assets			**2,263,046**

		2006	
	Turnover	Capital expenditure	Total assets
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	1,415,951	118,915	1,043,144
Taiwan	660,821	26,236	390,137
China	296,848	31,793	302,905
Other territories (Mainly Asia)	269,453	410	125,749
	2,643,073	177,354	1,861,935
Associated companies			99,576
Total assets			1,961,511

3. *PROFIT BEFORE TAXATION*

	2007	2006
	HK$'000	*HK$'000*
Profit before taxation is arrived at after charging/(crediting) :-		
Amortisation of intangible asset	**25,468**	—
Auditors' remuneration		
— audit services	**4,703**	4,032
— other services	**261**	307
Cost of stocks (Note 14)	**1,376,433**	1,172,468
Depreciation	**88,617**	72,985
Interest income	**(8,347)**	(17,953)
Interest on bank overdrafts and loans repayable within five years	**3,968**	1,499
Net foreign exchange (gain)/loss	**(9,947)**	4,518
Operating lease charges for hire of plant and machinery, and other assets	**1,124**	1,150
Operating lease charges in respect of land and buildings		
— minimum lease payments	**374,632**	301,251
— contingent rent	**144,826**	132,681
Share of associated companies' taxation	**3,721**	1,576
Staff costs	**437,009**	371,476
Including :-		
Contributions to defined contribution retirement schemes	**11,559**	10,419
Expenses recognised in respect of defined benefit retirement schemes (Note 24)	**1,452**	1,870

4. *DIRECTORS' REMUNERATION*

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows :-

	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Retirement scheme contributions *HK$'000*	2007 Total *HK$'000*
Executive directors					
Dickson Poon	**10**	**5,115**	**5,000**	**12**	**10,137**
Raymond Lee	**10**	**3,973**	**5,740**	**12**	**9,735**
Chan Tsang Wing, Nelson	**10**	**2,961**	**4,650**	**12**	**7,633**
Ching Sau Hong, Kevin	**10**	**549**	**500**	**3**	**1,062**
Edwin Ing	**10**	**1,821**	**2,340**	**12**	**4,183**
Ng Chan Lam	**10**	**709**	**120**	**12**	**851**
Walter Josef Wuest	**10**	**1,363**	**—**	**12**	**1,385**
Independent non-executive directors					
Bhanusak Asvaintra	**205**	**—**	**—**	**—**	**205**
Nicholas Peter Etches	**210**	**—**	**—**	**—**	**210**
Christopher Patrick Langley, OBE	**210**	**—**	**—**	**—**	**210**
	695	**16,491**	**18,350**	**75**	**35,611**

	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Retirement scheme contributions *HK$'000*	2006 Total *HK$'000*
Executive directors					
Dickson Poon	10	4,957	5,480	12	10,459
Raymond Lee	10	3,864	5,230	12	9,116
Chan Tsang Wing, Nelson	10	2,126	3,400	12	5,548
Ching Sau Hong, Kevin	10	2,145	1,350	12	3,517
Edwin Ing	10	1,769	1,630	12	3,421
Ng Chan Lam	10	687	—	12	709
Walter Josef Wuest	10	1,360	—	12	1,382
Independent non-executive directors					
Bhanusak Asvaintra	200	—	—	—	200
Nicholas Peter Etches	200	—	—	—	200
Christopher Patrick Langley, OBE	200	—	—	—	200
	670	16,908	17,090	84	34,752

5. *REMUNERATION OF THE FIVE HIGHEST PAID INDIVIDUALS*

Among the five highest paid individuals, four (2006 : three) are directors whose remuneration is disclosed in Note 4. Details of the remuneration of the other (2006 : two) highest paid individual are as follows :-

	2007	2006
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,337**	6,948
Discretionary bonuses	**2,600**	1,600
Retirement scheme contributions	**12**	90
	4,949	8,638

The remuneration of the one (2006 : two) individual falls within the following bands :-

	2007	2006
	Number of individuals	*Number of individuals*
HK$3,500,001 — 4,000,000	**—**	1
4,500,001 — 5,000,000	**1**	1
	1	2

6. *TAXATION*

(a) Taxation in the consolidated profit and loss account represents :-

	2007	2006
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**2,703**	20
Over-provision in respect of prior years	**(7)**	(127)
	2,696	(107)
Current tax — Overseas		
Provision for the year	**44,512**	30,167
Over-provision in respect of prior years	**(614)**	(189)
	43,898	29,978
Deferred tax		
Origination and reversal of temporary differences	**(7,005)**	524
Total income tax expense	**39,589**	30,395

The provision for Hong Kong Profits Tax for 2007 is calculated at 17.5 per cent. (2006 : 17.5 per cent.) of the estimated assessable profits for the year. Taxation for overseas subsidiary companies is charged at the appropriate current rates of taxation ruling in the relevant countries.

6. *TAXATION (cont'd)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates :-

	2007	2006
	HK$'000	*HK$'000*
Profit before taxation	**225,978**	239,111
Notional tax on accounting profit calculated at applicable tax rates	**37,112**	44,880
Tax effect of non-deductible expenses	**11,559**	7,712
Tax effect of non-taxable revenue	**(12,264)**	(16,136)
Tax effect of prior years' tax losses utilised this year	**(17,863)**	(22,922)
Tax effect of temporary differences not recognised	**(3,841)**	(4,498)
Tax effect of unused tax losses not recognised	**25,507**	21,675
Over-provision in prior years	**(621)**	(316)
Actual tax expenses	**39,589**	30,395

(c) None of the taxation payable / recoverable in the balance sheet is expected to be settled after more than one year.

7. *PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY*

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK$96,000 (2006 : HK$654,000) which has been dealt with in the accounts of the Company.

8. *DIVIDENDS*

(a) Dividends payable to equity shareholders of the Company attributable to the year :-

	2007	2006
	HK$'000	*HK$'000*
Interim dividend declared and paid of 13.8 cents (2006 : 13.8 cents) per ordinary share	**42,823**	42,823
Final dividend proposed after the balance sheet date of 27.5 cents (2006 : 27.5 cents) per ordinary share	**85,336**	85,336

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year :-

	2007	2006
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of 27.5 cents (2005 : 27.3 cents) per ordinary share	**85,336**	84,630
Special dividend in respect of the previous financial year, approved and paid during the year : Nil (2005 : 41.8 cents per ordinary share)	**—**	129,767

9. *EARNINGS PER SHARE*

The calculation of basic and diluted earnings per share in the current year is based on the profit attributable to ordinary equity shareholders of the Company of HK$186,176,000 (2006 : HK$208,388,000) and the weighted average of 310,311,338 ordinary shares (2006 : 310,311,338 ordinary shares) in issue during the year.

10. FIXED ASSETS

The Group :-

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures, equipment and motor vehicles *HK$'000*	Total *HK$'000*
Cost :-				
At 1st April, 2006	108,872	309,050	287,059	704,981
Exchange difference	—	2,103	222	2,325
Acquisition of subsidiary companies	—	7,891	6,030	13,921
Additions	—	139,226	54,974	194,200
Disposals	—	(44,620)	(38,147)	(82,767)
At 31st March, 2007	108,872	413,650	310,138	832,660
Aggregate depreciation :-				
At 1st April, 2006	25,437	188,623	202,001	416,061
Exchange difference	—	(62)	22	(40)
Charge for the year	2,508	52,555	33,554	88,617
Written back on disposals	—	(41,115)	(36,093)	(77,208)
At 31st March, 2007	27,945	200,001	199,484	427,430
Net book value :-				
At 31st March, 2007	80,927	213,649	110,654	405,230
Cost :-				
At 1st April, 2005	108,872	235,910	242,229	587,011
Exchange difference	—	(2,693)	(1,112)	(3,805)
Additions	—	108,441	68,913	177,354
Disposals	—	(32,608)	(22,971)	(55,579)
At 31st March, 2006	108,872	309,050	287,059	704,981
Aggregate depreciation :-				
At 1st April, 2005	22,929	177,936	193,873	394,738
Exchange difference	—	(2,016)	(714)	(2,730)
Charge for the year	2,508	41,628	28,849	72,985
Written back on disposals	—	(28,925)	(20,007)	(48,932)
At 31st March, 2006	25,437	188,623	202,001	416,061
Net book value :-				
At 31st March, 2006	83,435	120,427	85,058	288,920

10. FIXED ASSETS *(cont'd)*

Net book value of land and buildings comprises :-

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Long-term leases in Hong Kong	**41,277**	42,696
Medium-term lease in Hong Kong	**39,650**	40,739
	80,927	83,435

11. INTANGIBLE ASSET

	HK$'000
Cost :-	
At 1st April, 2006	—
Acquisition during the year	322,607
At 31st March, 2007	322,607
Accumulated amortisation :-	
At 1st April, 2006	—
Amortisation for the year	25,468
At 31st March, 2007	25,468
Net book value :-	
At 31st March, 2007	297,139
At 31st March, 2006	—

On 25th August, 2006, the Group acquired the entire issued capital of Tommy Hilfiger Asia-Pacific Limited ("THAP") together with its branch and subsidiary companies. The intangible asset represents the portion of the purchase consideration attributable to the exclusive distribution rights for Tommy Hilfiger apparel and other approved merchandise in Hong Kong, Taiwan, Singapore, Malaysia, Macau and certain cities in China.

The amortisation charge for the year is included in "Administrative expenses" in the consolidated profit and loss account.

12. SUBSIDIARY COMPANIES

	The Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1,863,753**	1,863,753
Amounts due to a subsidiary company	**(1,282,555)**	(1,169,393)
	581,198	694,360
Less : impairment loss	**(30,935)**	(30,935)
	550,263	663,425

Particulars of principal subsidiary companies are set out on pages 80 to 84.

13. ASSOCIATED COMPANIES

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Share of net assets	**93,938**	67,541
Amounts due from associated companies	**28,409**	40,022
Amounts due to associated companies	**(6,750)**	(7,987)
	115,597	99,576

The Group's share of the post-acquisition accumulated losses of its associated companies as at 31st March, 2007 was HK$26,626,000 (2006 : HK$54,292,000).

Summary financial information on associated companies

	Assets	**Liabilities**	**Equity**	**Revenues**	**Profit / (loss)**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
2007					
100 per cent.	393,553	195,411	198,142	418,403	30,886
Group's effective interest	183,188	89,250	93,938	193,014	13,631
2006					
100 per cent.	396,124	236,458	159,666	309,555	19,505
Group's effective interest	184,369	116,828	67,541	143,073	8,522

Particulars of principal associated companies are set out on pages 80 to 84.

14. STOCKS

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Stocks comprise :-		
Finished goods	**817,933**	666,681
Raw materials	**16,688**	11,475
	834,621	678,156

The analysis of the amount of stocks recognised as an expense is as follows :-

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Carrying amount of stocks sold	**1,372,257**	1,168,494
Write-down of stocks	**4,176**	3,974
	1,376,433	1,172,468

The write-down of stocks made during the year was due to a decrease in net realisable value of certain merchandise held for sale as a result of a change in consumer preferences.

15. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of HK$137,694,000 (2006 : HK$82,811,000) and their age analysis is as follows :-

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Current	**127,480**	73,200
1 to 30 days overdue	**7,889**	4,390
31 to 60 days overdue	**740**	2,831
Over 60 days overdue	**1,585**	2,390
	137,694	82,811

The Group has a credit policy with terms ranging from 30 days to 90 days.

16. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the entity to which they relate :-

	The Group				The Company			
		2007		2006		**2007**		2006
		'000		*'000*		***'000***		*'000*
United States Dollars	**USD**	**890**	USD	23,166	**USD**	**4**	USD	1,902
Euros	**EUR**	**3,322**	EUR	8,842	**EUR**	**—**	EUR	—
British Pounds	**GBP**	**685**	GBP	953	**GBP**	**—**	GBP	—

The effective interest rates at the balance sheet date for the Group and the Company are 1.43 per cent. (2006 : 2.71 per cent.) and 1.41 per cent. (2006 : 1.85 per cent.) respectively. Their refixing dates are all within one year.

17. BANK LOANS

The bank loans are unsecured and repayable within one year.

The effective interest rate at the balance sheet date for the Group is 2.71 per cent. (2006 : 3.15 per cent.) and its refixing date is within one year.

18. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK$172,091,000 (2006 : HK$115,897,000) and their age analysis is as follows :-

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Current	**150,263**	103,807
1 to 30 days overdue	**13,960**	9,003
31 to 60 days overdue	**3,679**	2,003
Over 60 days overdue	**4,189**	1,084
	172,091	115,897

19. DEFERRED TAXATION

(a) Net deferred tax (assets) / liabilities recognised in the consolidated balance sheet :-

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Deferred tax assets	**(25,372)**	(13,724)
Deferred tax liabilities	**1,938**	1,855
	(23,434)	(11,869)

19. DEFERRED TAXATION *(cont'd)*

The Group :-

The components of deferred tax assets and liabilities recognised in the consolidated balance sheet and the movements during the year are as follows :-

Deferred tax arising from :-	**Depreciation in excess of the related depreciation allowances** *HK$'000*	**Future benefit of tax losses** *HK$'000*	**Other temporary differences** *HK$'000*	**Total** *HK$'000*
At 1st April, 2006	(1,335)	(346)	(10,188)	(11,869)
Exchange difference	(239)	(28)	179	(88)
Acquisition of subsidiary companies	(631)	—	(3,841)	(4,472)
Charged / (credited) to the consolidated profit and loss account	1,000	(2,121)	(5,884)	(7,005)
At 31st March, 2007	(1,205)	(2,495)	(19,734)	(23,434)
At 1st April, 2005	(1,202)	(294)	(11,180)	(12,676)
Exchange difference	(51)	(6)	340	283
Charged / (credited) to the consolidated profit and loss account	(82)	(46)	652	524
At 31st March, 2006	(1,335)	(346)	(10,188)	(11,869)

(b) Deferred tax assets not recognised

Deferred tax assets have not been recognised in respect of the following items :-

	The Group	
	2007 *HK$'000*	2006 *HK$'000*
Deductible temporary differences	**5,147**	8,416
Future benefit of tax losses	**119,504**	129,165
	124,651	137,581

The Group has not recognised deferred tax assets in respect of tax losses of certain subsidiary companies as it is not probable that the subsidiary companies will generate sufficient future taxable profits against which the accumulated tax losses may be offset in the foreseeable future. HK$31,204,000 (2006 : HK$18,628,000) future benefit of tax losses will expire within a range of 1 to 7 years from 31st March, 2007. The remaining balance of tax losses has no expiry date under current tax legislation.

(c) Deferred tax liabilities not recognised

At 31st March, 2007, temporary differences relating to the undistributed profits of a subsidiary company amounted to HK$144,814,000 (2006 : HK$130,831,000). Deferred tax liabilities of HK$14,329,000 (2006 : HK$16,401,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of this subsidiary company and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

20. MINORITY INTERESTS

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Minorities' share of net assets	**—**	5,919
Amounts due to a minority shareholder	**6,032**	7,780
	6,032	13,699

The amounts due to a minority shareholder are interest free, unsecured and have no fixed repayment terms.

21. SHARE CAPITAL

	2007		2006	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	Thousands	***HK$'000***	*Thousands*	*HK$'000*
Authorised :-				
Ordinary shares of HK$0.30 each	**404,000**	**121,200**	400,000	120,000
Issued and fully paid :-				
Ordinary shares of HK$0.30 each				
Balance brought forward	**310,311**	**93,093**	282,101	84,630
Bonus issue (Note 22)	**—**	**—**	28,210	8,463
Balance carried forward	**310,311**	**93,093**	310,311	93,093

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Note :-

By an ordinary resolution passed at the annual general meeting held on 24th August, 2006, the Company's authorised share capital was increased to HK$121,200,000 by the creation of 4,000,000 additional ordinary shares of HK$0.30 each, ranking pari passu in all respects with the then existing issued shares of the Company. On 25th August, 2005, 28,210,121 ordinary shares of HK$0.30 each were issued by way of a one for ten bonus issue in respect of which an amount of HK$8,463,000 was applied from retained profits (Note 22).

At no time during the year ended 31st March, 2007 was there any purchase, sale or redemption by the Company, or any of its subsidiary companies, of the Company's shares.

On 26th August, 2003 ("the Adoption Date"), the Company adopted a share option scheme ("the Scheme"). Pursuant to the Scheme, the Board of Directors may offer to grant an option to any current employee (including executive directors, non-executive directors and independent non-executive directors) of the Company and/or any of its subsidiary companies ("the Participant") to subscribe for shares of the Company. The Scheme serves to recognise the contribution of the employees to the growth of the Group and to provide incentives for their contribution to the future success of the Group.

21. SHARE CAPITAL *(cont'd)*

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company (excluding options lapsed in accordance with any other schemes of the Company) must not in aggregate exceed 10 per cent. of the shares in issue at the Adoption Date. The aforesaid 10 per cent. limit may be increased to 30 per cent. of the shares in issue from time to time by refreshment and separate approval by shareholders of the Company in general meeting.

The total number of shares issued and to be issued upon exercise of the options granted to each Participant (included exercised, cancelled and outstanding options) under the Scheme in any 12-month period must not exceed 1 per cent. of the shares in issue unless approved by the shareholders of the Company in general meeting.

An option may be exercised at any time during such option period as the Board of Directors may in its absolute discretion determine, save that such period shall not expire later than 10 years after the date of grant of the option. The Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, i.e. until 25th August, 2013.

The Board of Directors may at its discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto additional to those set forth in the Scheme as it may think fit (to be stated in the letter containing the offer of the grant of the option). Unless otherwise specified in the letter offering the grant of an option, no performance target is required to be achieved and no minimum period for which an option must be held before an option or part thereof can be exercised.

An offer of the grant of an option under the Scheme shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the relevant Participant together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company.

The subscription price in respect of any particular option shall be such price as the Board of Directors may in its absolute discretion determine at the time of grant of the relevant option but shall be at least the higher of :-

(i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of the option;

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

(iii) the nominal value of the shares.

As at 31st March, 2007, no share options were granted to any of the directors or employees of the Company or any of its subsidiary companies under the Scheme.

22. RESERVES AND MINORITY INTERESTS

	The Group		The Company
	Reserves attributable to equity shareholders of the Company	Minority interests	Reserves
	HK$'000	*HK$'000*	*HK$'000*
Retained profits			
At 1st April, 2006	1,233,989	13,699	585,264
Dividends approved / paid in respect of prior year (Note 8(b))	(85,336)	—	(85,336)
Dividends declared / paid in respect of the current year (Note 8(a))	(42,823)	—	(42,823)
Profit for the year	186,176	213	96
Translation of accounts of overseas subsidiary and associated companies	10,662	261	—
Transfer of minority interests to creditors on liquidation of a subsidiary company	—	(8,141)	—
At 31st March, 2007	1,302,668	6,032	457,201
At 1st April, 2005	1,295,186	15,007	850,293
Dividends approved / paid in respect of prior year (Note 8(b))	(214,397)	—	(214,397)
Dividends declared / paid in respect of the current year (Note 8(a))	(42,823)	—	(42,823)
Bonus issue (Note 21)	(8,463)	—	(8,463)
Profit for the year	208,388	328	654
Translation of accounts of overseas subsidiary and associated companies	(3,902)	370	—
Repayment of loan from a minority shareholder	—	(2,006)	—
At 31st March, 2006	1,233,989	13,699	585,264

Note :-

The distributable reserves of the Company at 31st March, 2007 amounted to HK$457,201,000 (2006 : HK$585,264,000).

23. *MATERIAL RELATED PARTY TRANSACTIONS*

The following material transactions with related parties were in the opinion of the Directors carried out in the ordinary and usual course of business and on normal commercial terms :-

(a) Transactions with associated companies :-

	2007	2006
	HK$'000	*HK$'000*
Sales of goods	**45,814**	33,226
Purchases of goods	**17,391**	16,567
Income from the provision of management and supporting service	**2,520**	2,180
Rental expenses	**5,850**	3,669
Rental income	**2,160**	1,236

The net amount due from these associated companies at 31st March, 2007 amounted to HK$6,866,000 (2006 : HK$4,839,000), which is interest free, unsecured and has repayment terms ranging from 20 days to 60 days.

(b) Transactions with companies in which certain Directors of the Company have a beneficial interest :-

	2007	2006
	HK$'000	*HK$'000*
Sales of goods	**85,482**	81,453
Purchases of goods	**11,773**	13,006
Management and supporting service expenses	**1,028**	1,397
Income from the provision of management and supporting service	**8,327**	8,407
Rental expenses	**1,892**	1,627
Rental income	**9,761**	12,530
Advertising and promotion service expenses	**7,109**	9,387
Commission expenses	**18,964**	16,913

The net amount due from these companies at 31st March, 2007 amounted to HK$3,353,000 (2006 : net amount due to these companies amounted to HK$3,060,000), which is interest free, unsecured and has repayment terms ranging from 20 days to 90 days.

(c) On 6th July, 2006, the Group entered into a conditional sale and purchase agreement with K.S.D.P. (International) Limited, a company wholly and beneficially owned indirectly by a shareholder of the Group, to acquire the entire issued capital of THAP together with its branch and subsidiary companies for a consideration of HK$396,000,000. Following the completion of the transaction on 25th August, 2006, THAP became a wholly-owned subsidiary company of the Group.

The subsidiary companies acquired during the year ended 31st March, 2007 contributed HK$274,127,000 to the Group's turnover and a profit (after deducting amortisation of intangible asset) of HK$20,954,000 to the Group's results for the period between the date of acquisition and the balance sheet date. Had the acquisition been completed on 1st April, 2006, the proforma contribution to the Group's turnover would be HK$429,356,000 and the proforma contribution to the Group's results (after deducting amortisation of intangible asset) would be HK$21,546,000 for the year ended 31st March, 2007. The proforma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st April, 2006, nor is it intended to be a projection of future results.

24. EMPLOYEE RETIREMENT BENEFITS

(a) Defined benefit retirement schemes

The Group makes contributions to three defined benefit retirement schemes which cover about 12.7 per cent. of the Group's employees. The schemes are administered by independent trustees with their assets held separately from those of the Group.

The schemes are funded by contributions from the Group in accordance with an independent actuary's recommendations based on annual actuarial valuations. The latest independent actuarial valuations of the schemes were at 31st March, 2007 and were prepared by Dr. Magic Lin, Actuary, EA, A.S.A., FAIRC, Ph.D., using the projected unit credit method. The actuarial valuations indicate that the Group's obligations under the defined benefit retirement schemes are 89.4 per cent. (2006 : 56.9 per cent.) covered by the scheme assets held by the trustees.

(i) The amount recognised in the consolidated balance sheet is as follows :-

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Present value of funded obligations	**(10,950)**	(13,350)
Fair value of scheme assets	**9,788**	7,592
Unrecognised transitional liability	**—**	972
Unrecognised actuarial gains	**(4,393)**	(552)
	(5,555)	(5,338)

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay HK$623,000 in contributions to defined benefit retirement schemes in the next year.

(ii) Scheme assets consist of the following :-

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Deposits with financial institutions	**4,215**	3,642
Stocks	**1,933**	1,067
Short term bills	**1,460**	1,519
Bonds	**1,055**	811
Others	**1,125**	553
	9,788	7,592

24. *EMPLOYEE RETIREMENT BENEFITS* *(cont'd)*

(iii) Movements in the present value of the defined benefit obligations :-

	The Group	
	2007	2006
	HK$'000	*HK$'000*
At 1st April	**13,350**	12,749
Acquisition of a subsidiary company	**897**	—
Current service cost	**277**	652
Interest cost	**530**	463
Actuarial gains	**(3,934)**	(119)
Exchange difference	**(170)**	(395)
At 31st March	**10,950**	13,350

(iv) Movements in scheme assets :-

	The Group	
	2007	2006
	HK$'000	*HK$'000*
At 1st April	**7,592**	6,373
Acquisition of a subsidiary company	**1,375**	—
Group's contributions paid to the schemes	**723**	1,283
Actuarial expected return on scheme assets	**245**	170
Actuarial losses	**(14)**	(37)
Exchange difference	**(133)**	(197)
At 31st March	**9,788**	7,592

(v) Expense recognised in the consolidated profit and loss account is as follows :-

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Current service cost	**277**	652
Interest cost	**530**	463
Actuarial expected return on scheme assets	**(245)**	(170)
Net actuarial gains recognised	**(77)**	(48)
Net transitional liability recognised	**967**	973
	1,452	1,870

24. EMPLOYEE RETIREMENT BENEFITS *(cont'd)*

The expense is recognised in the following line items in the consolidated profit and loss account :-

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Selling and distribution expenses	**1,023**	1,630
Administrative expenses	**429**	240
	1,452	1,870
Actual return on scheme assets	**231**	133

(vi) The principal actuarial assumptions used as at 31st March, 2007 are as follows :-

Discount rate	**3.75%**	3.75%
Expected rate of return on scheme assets	**2.75%**	2.75%
Future salary increase	**2.50% — 3.00%**	3.00%

The expected long-term rate of return on scheme assets is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

Historical information

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Present value of the defined benefit obligations	**(10,950)**	(13,350)
Fair value of scheme assets	**9,788**	7,592
Deficit in the scheme	**(1,162)**	(5,758)
Experience adjustments arising on scheme liabilities	**(3,934)**	(119)
Experience adjustments arising on scheme assets	**(14)**	(37)

(b) Defined Contribution Retirement Scheme

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement scheme. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5 per cent. of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

25. COMMITMENTS

(a) Capital commitments outstanding at 31st March, 2007 not provided for in the accounts were as follows :-

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Contracted for	**12,980**	12,668	**—**	—
Authorised but not contracted for	**186**	—	**—**	—
	13,166	12,668	**—**	—

(b) At 31st March, 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows :-

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**418,048**	322,690	**—**	—
After one year but within five years	**1,078,762**	1,042,239	**—**	—
After five years	**747,524**	815,984	**—**	—
	2,244,334	2,180,913	**—**	—

The leases run for an initial period of one to twenty years, with an option to renew the lease when all terms are renegotiated. In addition to the minimum rental payments disclosed above, the Group has a commitment to pay additional rent of a proportion of turnover for certain leased properties if the turnover generated from those leased properties exceeds the predetermined levels. Contingent rentals are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

26. CONTINGENT LIABILITIES

At 31st March, 2007, the Company had the following contingent liabilities in respect of :-

(a) Guarantees of HK$971,675,000 (2006 : HK$856,876,000) given to banks to secure facilities granted to certain subsidiary companies. The facilities were utilised to the extent of HK$265,839,000 (2006 : HK$174,171,000) at the balance sheet date.

(b) Guarantees given to licensors to guarantee the performance by certain subsidiary companies of obligations under certain agreements. The amount due under the agreements was HK$29,628,000 (2006 : HK$7,329,000) at the balance sheet date.

As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. No provision was therefore made in this respect at 31st March, 2007 and 2006.

The Company has not recognised any deferred income in respect of the guarantees given as their fair value cannot be reliably measured and their transaction price was Nil.

27. *FINANCIAL RISK MANAGEMENT*

The Group's activities exposed the Group mainly to foreign exchange risk and credit risk. The Group's overall risk management programme seeks to minimise potential adverse effects of these financial risks on the Group's financial performance.

(i) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group uses forward contracts when major fluctuation in the relevant foreign currency is anticipated. There were no outstanding forward contracts as at 31st March, 2007 (2006 : Nil).

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in their relevant foreign currencies.

(ii) Credit risk
The Group has no significant concentration of credit risk. It has policies in place to ensure that wholesale of products is made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. Cash deposits are limited to high-credit-quality financial institutions.

(iii) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash, availability of funding through an adequate amount of credit facilities from banks and the ability to settle all current liabilities.

(iv) Interest rate risk
The Group's exposure to changes in interest rates relates primarily to bank balances and bank loans. The bank loans are short-term bank loans drawn by certain of the Group's overseas subsidiary companies as it is the Group's policy to minimise exposure to fluctuations in the exchange rates of foreign currencies in respect of its overseas operations by utilising local currency borrowings. Apart from these short-term bank loans, the Group has no significant interest-bearing borrowings, and the Group's operating cashflows are substantially independent of changes in market interest rates.

Notes 16 and 17 contain information about the effective interest rates at the balance sheet date of the Group's interest-earning financial assets and interest-bearing financial liabilities.

28. *ACCOUNTING ESTIMATES AND JUDGEMENTS*

Notes 24 and 27 contain information about the assumptions and their risk factors relating to defined benefit retirement scheme obligations. Other estimates and judgements are discussed below :-

(a) Recognition of deferred tax assets
As explained in Note 19, the Group recognises deferred tax assets in respect of tax losses based on the management's estimation of future taxable profits against which the accumulated tax losses may be offset in the foreseeable future for each individual subsidiary company. It is possible that certain assumptions adopted in the preparation of the profit forecasts for these operations may not be indicative of future taxable profits against which the accumulated tax losses may be offset. Any increase or decrease in the provision for deferred taxation would affect the Group's net asset value.

28. ACCOUNTING ESTIMATES AND JUDGEMENTS *(cont'd)*

(b) Depreciation

Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

(c) Stocks

The Group evaluates the carrying value of stocks based on their estimated net realisable value. It is possible that the actual net realisable value may be different from that estimated due to changes in consumer preference and retail market environment.

(d) Assessment of impairment of goodwill

In accordance with HKAS 36 "Impairment of Assets", the Group completes an annual impairment test for goodwill allocated to the Group's cash-generating unit by comparing its recoverable amount to its carrying amount as at the balance sheet date. The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. The calculation uses cash flow projections based on a one-year financial budget approved by management and extrapolated to cover a period of not less than five years with an estimated general annual growth of approximately 10 per cent.. The discount rate used of approximately 5 per cent. is pre-tax and reflects specific risk related to the relevant cash-generating unit. The budgeted gross margin and net profit margin are determined by the management for the cash-generating unit based on past performance and the expectations for market development. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

(e) Assessment of impairment of other non-current assets (excluding goodwill)

The Group conducts impairment reviews of other non-current assets that are subject to depreciation and amortisation whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Management assess the recoverable amount of each non-current asset based on its value in use or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the assets. These calculations require the use of judgements and estimates.

(f) Business combination and allocation of purchase price amongst identifiable assets

The Group accounts for business combinations in accordance with HKFRS 3 "Business Combinations". The Group is required to recognise separately, at the acquisition date, the acquiree's identifiable assets, including tangible and intangible assets that satisfy the recognition criteria regardless of whether they had been previously recognised in the acquiree's accounts.

The valuation in respect of the intangible assets recognised upon an acquisition during the year was performed by the management by reference to the future economic benefits to be derived from the asset based on fair value assessment. The assumptions adopted in the valuation include the revenue growth, expected volume of recurring business and the general market conditions.

29. *POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31ST MARCH, 2007*

Up to the date of issue of these accounts, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31st March, 2007 and which have not been adopted in these accounts.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the accounts :-

	Effective for accounting periods beginning on or after
HK(IFRIC) - Int 10, Interim financial reporting and impairment	1st November, 2006
HKFRS 7, Financial instruments : disclosures	1st January, 2007
Amendment to HKAS 1, Presentation of financial statements : capital disclosures	1st January, 2007
HKFRS 8, Operating segments	1st January, 2009

	Name	Issued share capital/Registered capital	Effective percentage shareholding Directly	Effective percentage shareholding Indirectly	Principal activities	Place of incorporation/ operation
	PRINCIPAL SUBSIDIARY COMPANIES :-					
*	Bertolucci SA	CHF4,700,000	—	100	Sale of watches	Switzerland
	Bondwood Investments Limited	HK$2	—	100	Sale of leather goods and fashion products	Hong Kong
	Castlereagh Limited	US$2	100	—	Investment holding	British Virgin Islands
	Dickson Concepts Limited	HK$1,000	—	100	Investment holding and provision of management and technical advisory services	Hong Kong
	Dickson Concepts (Retail) Limited	HK$2	—	100	Sale of watches and fashion products	Hong Kong
	Dickson Concepts (Wholesale) Limited	HK$10,000	—	100	Sale of watches and fashion products	Hong Kong
	Dickson Interior Design Limited	HK$2	—	100	Provision of interior design services	Hong Kong
	Dickson Investments (H.K.) Limited	HK$2	—	100	Sale of luxury tableware	Hong Kong
*	Dickson Licensing Limited	US$1	100	—	Trademarks agency	British Virgin Islands
*	D Marketing Japan K.K.	YEN35,000,000	—	100	Sale of watches, lighters and pens	Japan
*	Dickson (Shanghai) Company Limited	US$200,000	—	100 foreign-owned enterprise	Sale of fashion products	China
	Dickson Stores Pte Ltd	S$300,000	—	100	Sale of watches, jewellery and fashion products	Singapore

Name	Issued share capital/Registered capital	Effective percentage shareholding Directly	Effective percentage shareholding Indirectly	Principal activities	Place of incorporation/ operation
PRINCIPAL SUBSIDIARY COMPANIES *(cont'd)* **:-**					
Dickson Trading (Asia) Company Limited	HK$2	—	100	Sale of fashion products	Hong Kong/ Taiwan
Dickson Warehousing Limited	HK$2	—	100	Operation of warehouses	Hong Kong
* Ever Success Consultancy (Shenzhen) Limited	HK$1,000,000	—	100 foreign-owned enterprise	Provision of management consultancy and professional services	China
Ever Success Management Limited	HK$2	—	100	Provision of management consultancy and professional services	Hong Kong
* Full Kingdom Interior Design Consultancy (Shanghai) Limited	HK$1,680,000	—	100 foreign-owned enterprise	Provision of interior design services	China
Full Kingdom Limited	HK$2	—	100	Sale of fashion products and investing holding	Hong Kong
Harmonious Time Limited	HK$2	—	100	Investment holding	Hong Kong
Harvey Nichols (Hong Kong) Limited	HK$2	—	100	Operation of a department store	Hong Kong
Hong Kong Seibu Enterprise Company Limited	HK$392,000,000	—	100	Operation of and investment in department stores	Hong Kong
Hong Kong Seibu Holdings (China) Limited (formerly known as Seibu Holdings (China) Limited / Sealway Company Limited)	HK$2	—	100	Investment in a department store	Hong Kong

Name	Issued share capital/Registered capital	Effective percentage shareholding Directly	Indirectly	Principal activities	Place of incorporation/ operation
PRINCIPAL SUBSIDIARY COMPANIES *(cont'd)* **:-**					
Hong Kong Seibu Investment Co., Limited	HK$1,000,000	—	100	Investment in department stores	Hong Kong
Ining Investments Limited	HK$10	—	90	Investment holding	Hong Kong
* Leading Way Apparel Shanghai Limited	US$200,000	—	100 foreign-owned enterprise	Sale of watches and fashion products	China
Leading Way Limited	US$1	—	100	Sale of watches, leather goods and fashion products	British Virgin Islands/ Hong Kong
Mighty Achievements Investments Limited	HK$2	—	100	Property investment	Hong Kong
Mighty Leader Limited	HK$2	—	100	Arrangement of property tenancy agreements	Hong Kong
Pui Chak Enterprises Limited	HK$24,000	—	100	Property investment	Hong Kong
Raglan Resources Limited	US$1	—	100	Investment holding	British Virgin Islands
* Shenzhen Dickson Retail Limited	HK$3,500,000	—	100 foreign-owned enterprise	Sale of fashion products	China
* Sichuan Dickson Rongxing Department Store Co., Ltd.	HK$50,000,000	—	100 foreign-owned enterprise	Operation of a department store	China
Sinotop Development Limited	HK$100	—	100	Sale of fashion products	Hong Kong

Name	Issued share capital/Registered capital	Effective percentage shareholding Directly	Indirectly	Principal activities	Place of incorporation/ operation
PRINCIPAL SUBSIDIARY COMPANIES *(cont'd)* **:-**					
Sinotop Retail Limited	HK$8,000,000	—	100	Sale of fashion products	Hong Kong
* Superb Performance Limited	US$1	—	100	Sale of fashion products	British Virgin Islands/China
The Dickson Shop Limited	HK$1,000,000	—	100	Investment holding	Hong Kong/ Singapore
The Dickson Trading (Taiwan) Co., Ltd.	NTD200,000,000	—	100	Sale of watches and fashion products	Taiwan
* Tommy Hilfiger Apparel (Shanghai) Limited	US$300,000	—	100 foreign-owned enterprise	Sale of fashion products	China
Tommy Hilfiger Asia-Pacific Limited	US$2	—	100	Sale of fashion products	British Virgin Islands/ Taiwan
Tommy Hilfiger Marketing Limited	HK$5,000,000	—	100	Sale of fashion products	Hong Kong
Top Creation Limited	HK$2	—	100	Sale of fashion products	Hong Kong
Wealth Top Investment Limited	HK$1	—	100	Investment in a department store	Hong Kong
* 联彩国际贸易(深圳)有限公司	RMB1,000,000	—	100 foreign-owned enterprise	Sale of fashion products	China
* 沈阳迪生辽兴百货有限公司	HK$50,000,000	—	100 foreign-owned enterprise	Operation of a department store	China

Name	Issued share capital/Registered capital	Effective percentage shareholding Directly	Effective percentage shareholding Indirectly	Principal activities	Place of incorporation/ operation
PRINCIPAL ASSOCIATED COMPANIES :-					
* Chopard Hong Kong Distribution Limited	HK$30,000,000	—	45	Sale of watches	Hong Kong
Michael Kors Asia Pacific Limited	US$256,410	—	50	Sale of fashion products	British Virgin Islands
* T A Apparel (Shenzhen) Limited	HK$500,000	—	50 foreign-owned enterprise	Sale of fashion products	China
Teamgain Investment Limited	HK$1	—	50	Sale of fashion products	Hong Kong
Top Able Management Limited	HK$1	—	50	Sale of fashion products	Hong Kong
* Shanghai Jin Jiang Dickson Center Co., Ltd.	US$20,000,000	—	45 Chinese-foreign equity joint venture	Operation of a department store and sale of fashion products	China
* Shenzhen Seibu Department Store Co., Ltd.	HK$25,500,000	—	44 Chinese-foreign equity joint venture	Operation of department stores	China

All the issued share capital of the above principal subsidiary and associated companies consist of ordinary shares.

* Companies not audited by KPMG

	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONSOLIDATED PROFIT AND LOSS ACCOUNT					
Turnover	**3,099,967**	2,643,073	2,474,590	2,332,032	2,167,747
Operating profit	**225,978**	239,111	232,558	142,418	68,542
Non-operating items	**—**	—	—	—	14,711
Profit before taxation	**225,978**	239,111	232,558	142,418	83,253
Taxation	**(39,589)**	(30,395)	(28,940)	(19,994)	(15,495)
Profit for the year	**186,389**	208,716	203,618	122,424	67,758
Attributable to :-					
Equity shareholders of the Company	**186,176**	208,388	203,117	120,279	62,574
Minority interests	**213**	328	501	2,145	5,184
Profit for the year	**186,389**	208,716	203,618	122,424	67,758
CONSOLIDATED BALANCE SHEET					
Fixed assets	**405,230**	288,920	192,273	178,657	184,972
Intangible asset	**297,139**	—	—	—	—
Goodwill	**13,900**	13,900	13,900	14,648	—
Associated companies	**115,597**	99,576	112,636	105,781	170,967
Deferred tax assets	**25,372**	13,724	14,327	17,344	25,675
Net current assets	**546,493**	926,516	1,063,338	958,060	795,569
Total assets less current liabilities	**1,403,731**	1,342,636	1,396,474	1,274,490	1,177,183
Deferred tax liabilities	**1,938**	1,855	1,651	1,664	1,486
Net assets	**1,401,793**	1,340,781	1,394,823	1,272,826	1,175,697
Share capital	**93,093**	93,093	84,630	76,937	76,937
Reserves	**1,302,668**	1,233,989	1,295,186	1,181,390	1,078,125
Total equity attributable to equity shareholders of the Company	**1,395,761**	1,327,082	1,379,816	1,258,327	1,155,062
Minority interests	**6,032**	13,699	15,007	14,499	20,635
Total equity	**1,401,793**	1,340,781	1,394,823	1,272,826	1,175,697
OTHER FINANCIAL DATA					
Earnings per share (cents)	**60.0**	67.2	65.5	38.7	20.2
Dividend per share (cents)	**41.3**	41.3	80.9	20.6	6.2
Dividend cover	**1.5**	1.6	0.8	1.9	3.3

The Group has a comprehensive retail network of 500 shops throughout the region.

本集團擁有遍佈東南亞地區之廣泛零售網絡達五百間精品店。

The Kowloon Hotel Seibu store in Tsimshatsui, Hong Kong.
位於香港尖沙咀九龍酒店的「西武」店。

The Seibu store in Chengdu, Sichuan Province, China.
位於中國四川省成都市的「西武」店。

The Goyard flagship store at The Peninsula, Tsimshatsui, Hong Kong.
位於香港尖沙咀半島酒店的「Goyard」旗艦店。

The Ralph Lauren Black Label women's shop at SOGO BR4, Taipei, Taiwan.
位於台灣台北市崇光BR4的「Ralph Lauren」「Black Label」女士服裝精品店。

Newly renovated Ralph Lauren shop at Ocean Terminal, Tsimshatsui, Hong Kong.
位於香港尖沙咀海運大廈新裝修的「Ralph Lauren」精品店。