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 HK$'000	2006 HK$'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 **_HK$'000_**	2006 *HK$'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 **_Number of individuals_**	2006 *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 **_HK$'000_**	2006 *HK$'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