CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Chan Wing Sun
Hung Kenneth
Kao Yu Chu
Wang Li Wen

INDEPENDENT NON-EXECUTIVE DIRECTORS
Cheung Yat Hung Alton
Kwong Chi Keung
So Hon Cheung Stephen

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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Taiwan

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 912, 9th Floor
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Quarry Bay
Hong Kong

COMPANY SECRETARY
Lee Kin Keung Lawrence

AUDITORS
KPMG
Certified Public Accountants
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8th Floor
10 Chater Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR
The Bank of Bermuda Limited
Bank of Bermuda Limited Building
6 Front Street
Hamilton HM11
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BRANCH SHARE REGISTRAR
Standard Registrars Limited
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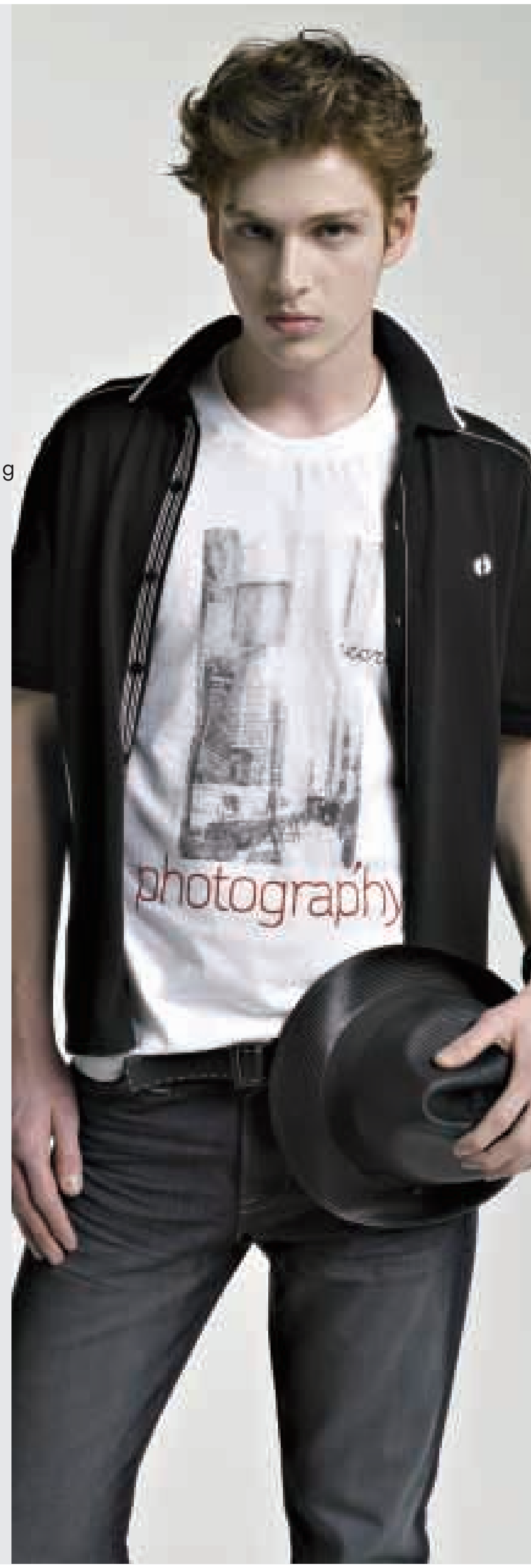
Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
Hong Kong Main Office

The Hongkong and Shanghai Banking Corporation Limited
Taiwan Branch

Chang Hwa Commercial Bank Limited

Hua Nan Commercial Bank Limited



CONTENTS

Dear Shareholders,

The apparel retail industry has experienced a lot of challenges in a tough operating environment with intensified competition and rising operating costs. Despite all that, the Group achieved growth in both turnover and net profit for the year ended 31 March 2007.

OPERATING RESULTS

The Group operates an extensive retail network in Asia with over 640 retail outlets under its proprietary brand "Hang Ten" and other brands owned or licensed by the Group. Most of the Group's revenue is generated from its retail operation. The Group also distributes "Hang Ten" products through its distributors. In addition, the Group through its licensing division grants licences to international licensees the right to design, manufacture and sell products bearing the trademarks owned by the Group in designated territories. The distribution and licensing operations not only provide a steady income, but also enhance the image and strengthen the exposure of the brands of the Group.

During the year, the Group undertook strategies to diversify its product lines. In Taiwan, the Group obtained an exclusive licence to manufacture, sell and distribute "Arnold Palmer" brand apparels during the year. This product label carries a range of apparel products aiming at more up market customers. It was officially launched in January 2007 and the products have been offered to customers in specialised shops. The Group also launched a new youth and fashion brand "H&T" and set up a network of specialised "H&T" shops in South Korea during the year. This line of products offers more fashionable apparel and accessories targeting more trend-conscious teenagers and youth.

While the consumer sentiment in Taiwan has been adversely affected by an unstable political environment there and the Group has accordingly experienced a decline in sales in this market, the Group could still manage to achieve a reasonable result in terms of sales and profitability in Taiwan. On the other hand, the Group's South Korean operation continued to record significant growth. With the introduction of

the new brand "H&T" and the continued expansion of the "Hang Ten" network, sales in South Korea recorded a double-digit growth rate.

Turnover of the Group for the year ended 31 March 2007 amounted to US$257,616,000, representing a year on year growth of 6%. Profit attributable to equity shareholders increased 7.3% to US$13,952,000.

DIVIDEND

The board of directors proposed a final dividend of Hong Kong 5.0 cents (equivalent to approximately United States 0.64 cent) per share for the year ended 31 March 2007, subject to the approval by the shareholders in the forthcoming annual general meeting.

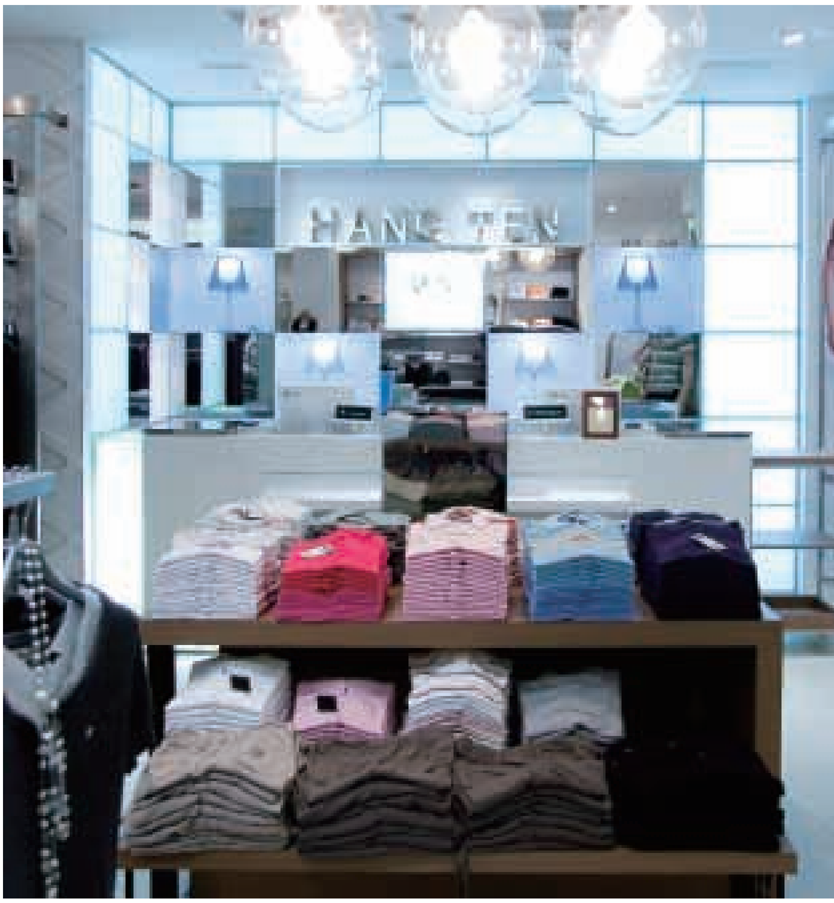
FUTURE PLANS AND PROSPECT

The Group will continue to adopt a strategy of growth with emphasis on profitability and efficiency. It will continue to enhance its product line, product design and product quality to strengthen its competitiveness and attractiveness. At the same time, the Group will remain cost-conscious and continue to strengthen its merchandising and sourcing capability to improve its profit margin. In addition, the Group will explore opportunity to expand its business.

Taiwan

The recent political instability in Taiwan has affected the general consumer spending there. However, as the Group has already established itself as one of the leading retailers in Taiwan, the directors believe that the Taiwanese operation will continue to deliver satisfactory result by undertaking appropriate measures to improve merchandising, to conduct structured promotions and to control costs. To further consolidate its leading position, the Group will continue to look for opportunity to increase its market penetration.

The Group believes the newly launched "Arnold Palmer" line will assist the Group to penetrate a new market segment and expand the customer base for the Group's products. Points of sales have been established in major cities such as Taipei, Kaoshiung and Tainan. The Group plans to set up more specialised "Arnold Palmer" shops in the coming year to expand its coverage.



New outlets for the "Hang Ten" brand products will be opened with special focus in new shopping malls locating in newly developed residential or commercial districts and suburban area. To enhance the image of the "Hang Ten" brand, a shop refurnish program is to be launched. Flagship stores in high consumer traffic areas will be given a facelift to provide a refreshing and more energetic outlook. The Group believes that Taiwan will remain one of the most significant markets of the Group.

South Korea

The Group will continue to expand its retail network in South Korea. With the successful launch of the new "H&T" brand last year, the directors believe that the South Korean market has a lot of potential for growth, particular in the teenagers market. Building on the satisfactory performance of the brand, the Group will aim to improve store efficiency of the new brand as well as to continue to expand its network. The Group will also expand the "Hang Ten" network. It is planned that a total of 45 stores will be opened with about 20 of them being specialised H&T stores.

Other Markets

Both Hong Kong and Singapore are facing similar challenges in a high operating costs and competitive operating environment. However, as major travellers' hubs and business centres, these two territories also offer great potential and opportunity to the Group. The Group will take appropriate measures to improve sales and to control operating costs in these two markets.

The Group's operations in the Philippines and Malaysia remain relatively small. The Group will continue to develop the retail network in these territories to increase their contribution to the Group.

In addition, the Group will also look for opportunity to expand its operation. It will explore and assess business potential of new markets in Asia and other areas.

LICENSING OPERATION

Our licensing operation has been providing a steady stream of revenue to the Group. To leverage on the public's recognition of the "Hang Ten" brand and utilizing our brand management expertise, the Group will continue to develop new licensees. Through such effort, the Group aims to expand its international network of licensees and to generate a steady income from this operation. The Group has recently obtained a new licensee in the United States. The Group will continue to develop new licensing opportunities particularly in Europe.

APPRECIATION

On behalf of the board of directors, I would like to express our sincere appreciation to all the staff of the Group. I would like to thank our shareholders, our suppliers, our bankers and our customers for their continuous support.

Chan Wing Sun
Chairman

19 July 2007

BUSINESS AND OPERATIONAL REVIEW

Operation Overview

Turnover of the Group for the year ended 31 March 2007 amounted to US$257,616,000 (2006: US$243,093,000), showing a growth of 6.0%. The increase in turnover was mainly attributed to increase in sales of apparels of 6.2% during the year. Operating profit for the year amounted to US$20,014,000 (2006: US$18,921,000). Net profit attributable to equity shareholders for the year amounted to US$13,952,000 (2006: US$13,003,000).

Due to political instability in Taiwan, the retail environment in Taiwan market was sluggish and the Group experienced a decline in sales during the year. However, our South Korean market continued to record significant growth and increase in sales in the South Korean market more than compensated the decline in sales in the Taiwan market.

Gross margin ratio for the year ended 31 March 2007 increased to 56.0% (2006: 53.9%). The improvement in gross margin was mainly attributed to the increase in the proportion of the sales derived from the South Korean market, where the Group's products could generally achieve a slightly higher gross margin because of different product mix. The increase in gross margin was also a result of the continuing improvement in the Group's sourcing and merchandising efficiency and capability. Gross profit of the Group increased to US$144,261,000 (2006: US$130,913,000)

The Group remained cost conscious and adopted measures to control its operating expenses. Selling expenses for the year ended 31 March 2007 amounted to US$109,425,000 (2006:

US$95,551,000), representing an increase of US$13,874,000 which was mainly attributed to increase in sales activities and set up costs incurred for the launch of a new product line in South Korea. Administration expenses amounted to US$17,511,000 (2006: US$17,155,000), representing a slight increase of US$356,000. Other operating expenses decreased by US$594,000 to US$2,865,000 (2006: US$3,459,000).

Apparels Sales

About 98.5% (2006: 98.3%) of the Group's turnover was attributed to sales of apparels for the year ended 31 March 2007. Sales generated from retail and distribution of apparels amounted to US$253,706,000 for the year ended 31 March 2007 (2006: US$238,948,000). This represents a growth of 6.2% from last year. During the year, the Group continued to expand its retail network with most of the new stores located in South Korea. As at 31 March 2007, the Group had 648 retail outlets (2006: 540 outlets) with total shop floor area of about 590,200 square feet (2006: 512,000 square feet).

Taiwan

Sales in the Taiwan market contributed to about 42.2% (2006: 51.9%) of the Group's total turnover. Total sales of the Taiwan market for the year ended 31 March 2007 amounted to US$108,711,000 (2006: US$126,285,000), of which retail sales amounted to US$101,357,000 (2006: US$116,743,000) and sales generated from distributing activity amounted to US$7,354,000 (2006: US$9,542,000). Due to political instability, consumer sentiments and purchasing power have been dampened which contributed to a decline in sales in this market of 13.9%. Nevertheless the Group continued to consolidate its leading position in this market. During the year, the Group added 16 new "Hang Ten" stores. It also extended its product ranges in order to penetrate different market segments. During the year, the Group obtained an exclusive license to manufacture and sell apparel products under the brand "Arnold Palmer" in Taiwan. The Group launched this label of products during the year and 7 specialised "Arnold Palmer" stores had been set up as at 31 March 2007. This new product line targets a different group of customers who look for more up-market and quality products. Although contribution from this new line was small for the year ended 31 March 2007, it offers a good opportunity and potential to enlarge the Group's customer base.

While the Group has been able to control its operating costs in the Taiwan market, the decline in sales caused a drop in operating profit by 25.3%. The operating profit derived from this market amounted to US$9,276,000 (2006: US$12,419,000). The Group had 270 retail outlets (2006: 247 outlets) as at 31 March 2007 with a total retail floor area of approximately 312,000 square feet (2006: 284,000 square feet).

South Korea

The Group has continued to expand its retail network in South Korea. A new product line labeled "H&T" had been launched. The "H&T" label offers more trendy and fashionable casual clothing and accessories targeting the youth and teenager market. The market response to the "H&T" line has been encouraging. The Group opened 47 "H&T" stores during the year to bring the total number of specialized "H&T" stores to 49 at as 31 March 2007. About 16% of the sales generated in this market during the year was attributed to this label. As a result of the expansion of its network, sales in the South Korean market grew by 39.2% to US$113,826,000 (2006: US$81,750,000). Sales generated from the South Korean market contributed to 44.2% (2006: 33.6%) of the Group's total turnover for the year ended 31 March 2007.

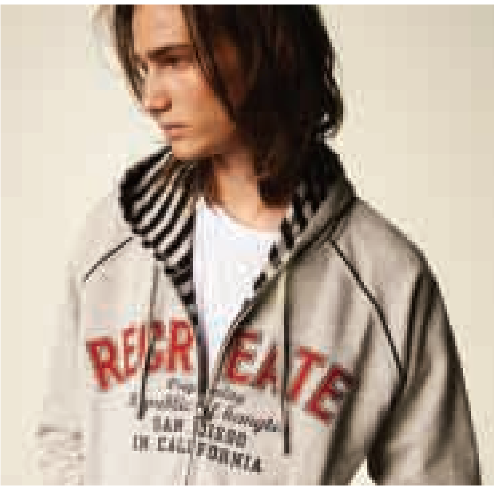
Operating profit for the year ended 31 March 2007 amounted to US$11,579,000 (2006: US$9,825,000) representing an increase of 17.9%. As at 31 March 2007, the Group had 265 retail outlets (2006: 186 outlets) in South Korea with total retail floor area of approximately 183,000 square feet (2006: 136,000 square feet).

Philippines

The Group's operation in the Philippines remained steady. Sales for the year ended 31 March 2007 decreased slightly by 0.7% to US$5,353,000 (2006: US$5,390,000). The Group recorded an operating loss of US$109,000 (2006: profit of US$90,000) in this market. The Philippines market contributed to about 2.1% (2006: 2.2%) of the total turnover of the Group. The Group had 50 retail outlets (2006: 45 outlets) in the Philippines as at 31 March 2007 with total retail floor area of approximately 37,000 square feet (2006: 37,000 square feet).

Singapore

Sales generated in the Singapore market for the year ended 31 March 2007 increased slightly by 3.5% to US$16,858,000 (2006: US$16,285,000). Due to an intensified competitive retail environment and rising operating costs, the operation sustained an operating loss for



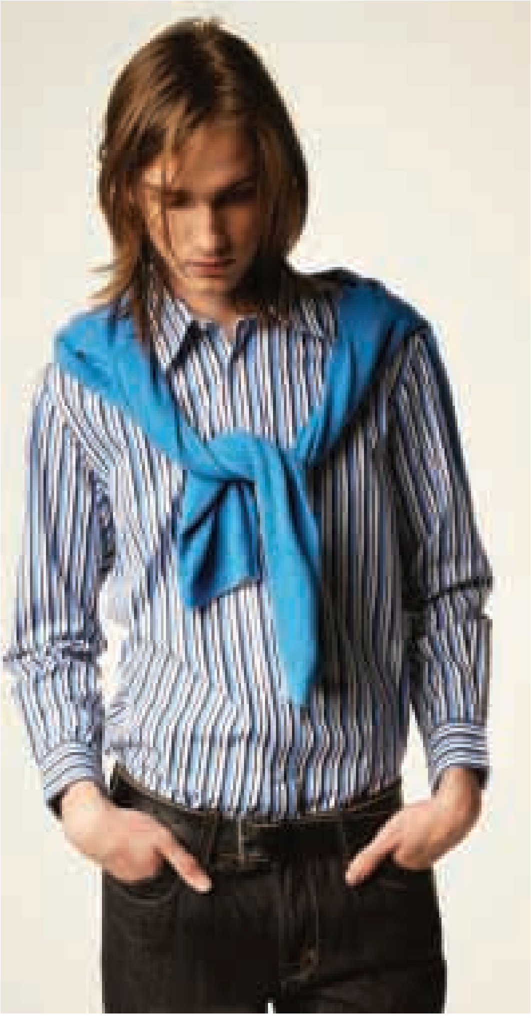
the year ended 31 March 2007 amounted to US$1,583,000 (2006: US$315,000). The Singapore market contributed to about 6.5% (2006: 6.7%) of the total turnover of the Group. The Group had 41 retail outlets (2006: 39 outlets) as at 31 March 2007 with total retail floor area of approximately 32,000 square feet (2006: 28,000 square feet).

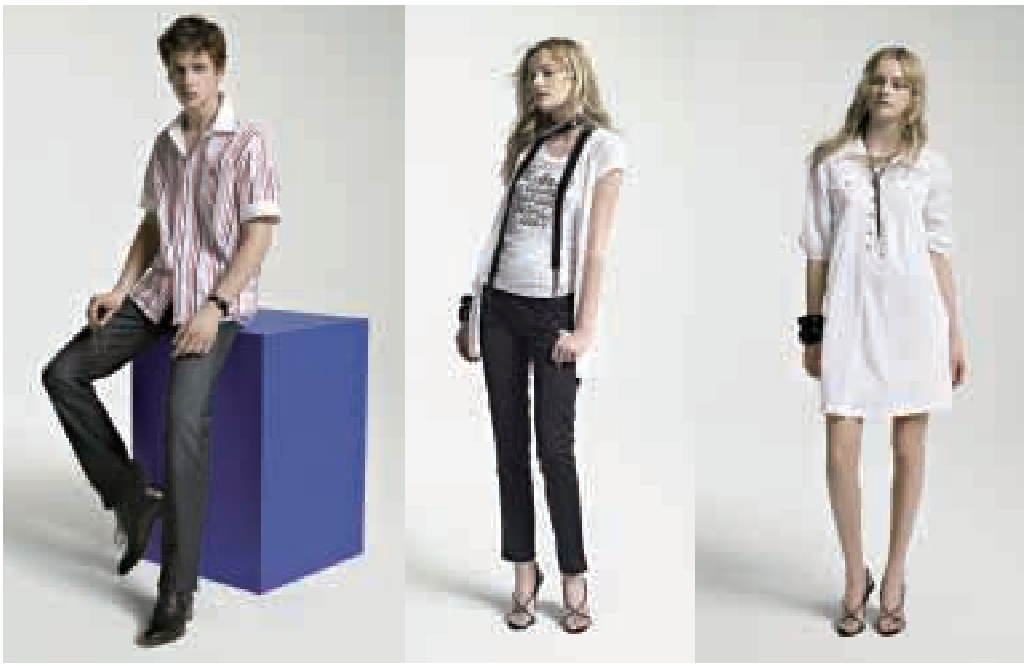
Malaysia

For the year ended 31 March 2007, sales generated in the Malaysian market amounted to US$2,972,000 (2006: US$2,485,000), representing an increase of 19.6%. The Group recorded an operating loss of US$109,000 (2006: profit of US$1,000) for the year ended 31 March 2007 in this market. The Malaysian market contributed to about 1.2% (2006: 1.0%) of the total turnover of the Group. The Group had 11 retail outlets (2006: 12 outlets) as at 31 March 2007 with total retail floor area of approximately 13,400 square feet (2006: 14,000 square feet).

Hong Kong and Macau

Sales generated in Hong Kong and Macau amount to US$5,986,000 (2006: US$5,030,000) representing an increase of 19%. Competition remained keen and operating costs, particularly rental costs, remained at a high level. As a result, this market has not been able to generate positive return to the Group. However, as Hong Kong is a major travellers' hub and business centre and Macau has become a major tourist attraction, this operation has enhanced the Group's image and facilitated the development and expansion of the Group's distribution business. The Hong Kong and Macau market contributed to about 2.3% (2006: 2.1%) of the total turnover of the Group. The Group had 11





retail outlets (2006: 11 outlets) as at 31 March 2007 with total retail floor area of approximately 12,800 square feet (2006: 13,000 square feet).

Licensing Operation

The licensing operation provides a steady revenue stream to the Group through licensing of the "Hang Ten" trademark and other trademarks owned by the Group to independent licensees. For the year ended 31 March 2007, revenue generated from the licensing operation amounted to US$3,910,000 (2006: US$4,145,000) and represented about 1.5% (2006: 1.7%) of the Group's total turnover.

CAPITAL STRUCTURE

As at 31 March 2007, 982,250,000 ordinary shares were in issue. Total equity amounted to US$73,170,000 (2006: US$67,811,000) as at 31 March 2007.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operation by internally generated cash flow and banking facilities provided by its banks.

For the year ended 31 March 2007, the Group generated US$14,627,000 (2006: US$18,576,000) of cash from operations. As at 31 March 2007, the Group had cash and bank balances amounted to US$15,930,000 (2006: US$21,235,000) and listed funds, which were readily convertible into cash, amounted to US$10,798,000 (2006: US$10,567,000).

As at 31 March 2007, the Group had financial facilities provided by banks amounting to approximately US$31,000,000, of which US$638,000 had been utilized. Certain of the banking facilities were secured by the pledge of land and building with a net book value of US$1,138,000. Total indebtedness as at 31 March 2007, comprising bank loans of US$638,000 (2006: US$621,000) and loans from shareholders of US$16,400,000 (2006: US$16,400,000) amounted to US$17,038,000 (2006: US$17,021,000) and represented 13.3% (2006: 13.9%) of the total assets of the Group.

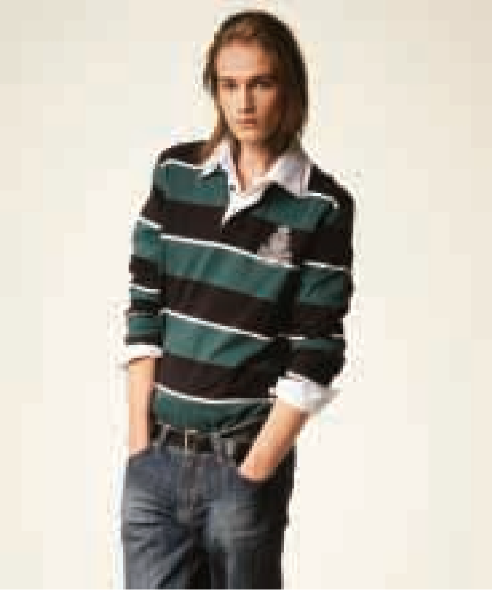
The loans from shareholders are unsecured and are due for repayment in the year 2011.

CONTINGENT LIABILITIES

The Group had certain contingent liabilities with respect of value-added tax penalty in Taiwan. Having taken relevant professional advice, no provision has been made for those contingent liabilities.

HUMAN RESOURCES

As at 31 March 2007, the Group had approximately 1,760 full time employees of which 1,130 were based in Taiwan. About 1,450 employees were engaged in sales and marketing functions. The Group offers its employees competitive remuneration packages based on industry's practices and performance of individual employees. The Company had also adopted a share option scheme to which employees may participate. 10,660,000 options granted to certain employees of the Group remained outstanding as at 31 March 2007.



EXECUTIVE DIRECTORS

Chan Wing Sun, aged 59, received a Bachelor's degree from the University of Manchester, United Kingdom in 1970 and qualified as a Chartered Accountant in 1973. Mr. Chan is also an executive director and the chief executive officer of YGM Trading Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited. Mr. Chan is the Chairman of the Company and is responsible for the strategic planning and overall policy of the Group. He joined the Group in 1991.

Kenneth Hung, aged 40, is the Chief Executive Officer of the Group and has overall responsibility for the Group's global operations. Mr. Hung graduated from the University of Minnesota in United States and has over 15 years experience in the apparel retailing industry. He joined the Group in 1992. Mr. Hung is a director of Asian Wide Services Limited, a substantial shareholder of the Company. Mr. Hung is the son of Mr. Kung Ging Kong Dennis.

Kao Yu Chu, aged 50, is the Chief Operations Officer of the Group's operation in Taiwan and has overall responsibility in the area of product development, sales, advertising and marketing. She started her career in the apparel retailing industry as a shop manager and worked her way up to her existing position. She has over 26 years of experience in the apparel retailing industry. She joined the Group in 1993.

Wang Li Wen, aged 54, joined the Group in 1993. She is the Chief Financial Officer of the Group's operation in Taiwan and has overall responsibility in the area of administration, finance, personnel and EDP development in Taiwan. She graduated from Tam Kang University in Taiwan with a bachelor degree in economics and has over 26 years of experience in the apparel retailing industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheung Yat Hung Alton, aged 44, graduated from the California College of Arts and Crafts, Berkeley with a bachelor degree in fine arts. Mr. Cheung has over 10 years' experience in trading and distribution business in China. Mr. Cheung currently holds directorships in a number of private companies engaging in automobile distribution in China. He is also an independent non-executive director of Massive Resources International Corporation Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited.

Kwong Chi Keung, aged 53, is qualified as a solicitor in Hong Kong, England, Australia (Victoria) and Singapore. Mr. Kwong is a senior partner of Sit Fung Kwong and Shum. His main areas of practice include intellectual properties, banking, public and private corporate transactions, China projects and complex commercial litigation. Mr. Kwong is a Senior Vice President of the Asian Patent Attorneys Association, a World Intellectual Property Organisation appointed Neutral for Alternative Dispute Resolution and Uniform Domain Name Dispute Resolution Policy Panelist, Fellow of the Chartered Institute of Arbitrators (London) and Hong Kong Institute of Arbitrators, and a Notary Public. Mr. Kwong was also the former Deputy Chairman of the Copyright Tribunal of the Hong Kong Special Administrative Region.

So Hon Cheung Stephen, aged 51, is a director of the accounting firm T.M. Ho, So & Leung CPA Limited and CCIF CPA Limited. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Canadian Institute of Chartered Accountants, a member of the Chartered Institute of Management Accountants and a member of the Society of Certified Management Accountants of Canada. He holds a bachelor degree in commerce from the University of British Columbia, Canada and is a visiting professor of various universities and colleges in Beijing, Liaoning, Sichuan, Xinjiang, Qinghai and Guangdong in China. He has over 13 years, experience in manufacturing, wholesale and trading in the commercial sector and over 16 years' experience of private accounting practice in various companies in Hong Kong and Canada.

SENIOR MANAGEMENT

Kung Ging Kong Dennis, aged 65, is the general manager of the Taiwan operation of the Group. He joined the Group in 1993. Mr. Kung has extensive experience in the garment industry. Mr. Kung is the father of Mr. Kenneth Hung.

Shivkumar Ramanathan, aged 39, is the general manager of the Group's Korea operation. Prior to this he served as the president of the Group's overseas retailing and franchising operations. He graduated from the University of Bombay with a Bachelor degree in Commerce and is also qualified as a Chartered Financial Analyst. Before joining the Group in 1997, he worked as a financial controller for two well-known companies in Hong Kong for more than 5 years.

Tan Yong Huat Danny, aged 47, is the general manager of the Singapore operation of the Group. Mr. Tan has over 20 years working experience in the hotel and catering industry and retailing industry. He holds a diploma in management accounting and finance and a graduate diploma in marketing. Prior to joining the Group in March 2002, Mr. Tan had worked for three retailers for about 15 years.

Daniel Chin, aged 39, is the chief operation officer of the Group's operation in the Philippines. He has more than 11 years of experience in the field of retail operation. He completed his college education at Institute of Technology, Sydney, Australia majored in accounting. He joined the Group in 1997.

Lee Kin Keung Lawrence, aged 47, is the company secretary of the Company and chief financial officer of the Group. He joined the Group in April 2003. Mr. Lee is a member of the Hong Kong Institute of Certified Public Accountants and is also a member of CPA Australia. He obtained a Master of Commerce degree and a bachelor of Commerce degree from the University of New South Wales, Australia. He also holds a Master of Applied Finance degree from the Macquarie University, Australia. Mr. Lee has over 19 years of experience in accounting, auditing and corporate finance.

The board of directors (the "Board") is committed to uphold a high corporate governance standard with a formal and transparent procedure to protect the interests of the Company.

The Group's corporate governance practices comply with all the code provisions of the Code ("Code") of Corporate Governance Practices set out in Appendix 14 of the Rules ("Listing Rules") Governing the Listing of Securities in The Stock Exchange of Hong Kong Limited.

BOARD OF DIRECTORS

The Board recognises its responsibility to act in the best interest of the Company and its shareholders. The Board comprises four executive directors and three independent non-executive directors.

Executive Directors:
Mr. Chan Wing Sun *(Chairman)*
Mr. Kenneth Hung *(Chief Executive Officer)*
Ms. Kao Yu Chu
Ms. Wang Li Wen

Independent Non-Executive Directors:
Mr. Cheung Yat Hung Alton
Mr. Kwong Chi Keung
Mr. So Hon Cheung Stephen

The Board sets the Group's objectives and strategic directions and oversees its operating financial performance. It also decides on matters including annual and interim results, audited financial statements, directors' appointment and re-appointment, major acquisitions and disposals, material contracts, risk management, major financings and borrowings and dividend policies. In addition, the Board also discusses major operational and financial issues. Decisions and conduct of matters other than those specifically reserved by the Board are delegated to management.

Regular meetings of the Board are held. Agenda of Board meetings and Board papers are circulated to all directors before each Board meeting to ensure timely access to relevant information. Board minutes are circulated to all directors for review and comment within a reasonable time after the meetings to ensure accurate records of Board discussion and decisions are maintained. The Company held four full Board meetings during the year and attendance of the full Board meetings are as follows:

Directors	Number of meetings held	Number of meetings attended
Mr. Chan Wing Sun	4	4
Mr. Kenneth Hung	4	4
Ms. Kao Yu Chu	4	4
Ms. Wang Li Wen	4	4
Mr. Cheung Yat Hung Alton*	4	4
Mr. Kwong Chi Keung*	4	4
Mr. So Hon Cheung Stephen*	4	4

* Independent non-executive directors

The Board has received from each of the independent non-executive directors a confirmation of his independence from the Company in accordance with the guidelines on director independence set out in the Listing Rules. The Company considers that all independent non-executive directors of the Company are independent.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

To improve independency and division of functions, the roles of Chairman and Chief Executive Officer are segregated and are exercised by two individuals separately.

The Chairman Mr. Chan Wing Sun, is responsible for ensuring that the Board functions effectively and smoothly. The Chairman is also responsible for overseeing the strategic planning and overall policy of the Group. Mr. Kenneth Hung is the Chief Executive Officer of the Company. He is responsible for overseeing the day-to-day operation of the Group.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

All the independent non-executive directors have been appointed for a specific term of one year. All the directors including the independent non-executive directors are subject to retirement from office by rotation in accordance with the bye-laws of the Company.

APPOINTMENT AND SUCCESSION PLANNING OF DIRECTORS

The procedures and process of appointment, re-election and removal of directors are set out in the bye-laws of the Company. According to the bye-laws, at least one-third of the directors including the Chairman and Managing Director, are subject to retirement by rotation and re-election at the annual general meetings of the Company. All directors are subject to retirement by rotation and re-election at annual general meetings at least once every three years. All directors appointed by the Board during the year to fill casual vacancies are required to retire and subject themselves for re-election at the first general meeting after their appointment.

NOMINATION OF DIRECTORS

The Company has not established a nomination committee and the full Board is involved in the appointment of directors.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment of directors and assessment of independence of independent non-executive directors.

The Board is responsible for considering the suitability of a candidate to act as a director and approving and recommending the termination of the appointment of a director.

BOARD COMMITTEES

The Board has established the Audit Committee and the Remuneration Committee with mandate to oversee particular aspects of the Company's affairs. Each of these two Board committees is set up with written terms of reference. The Board committees are provided with sufficient resources to discharge their duties and are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non- executive directors, namely Mr. Kwong Chi Keung (Chairman of the Remuneration Committee), Mr. Cheung Yat Hung Alton and Mr. So Hon Cheung Stephen and two executive directors namely Mr. Chan Wing Sun and Mr. Kenneth Hung.

The principal responsibilities of the Remuneration Committee include reviewing and making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management.

During the year, a meeting of the Remuneration Committee was held to review and discuss the policy for remuneration of directors and senior management. The attendance records of each Remuneration Committee members are as follows:

Members	Number of meeting held	Number of meeting attended
Mr. Chan Wing Sun	1	1
Mr. Cheung Yat Hung Alton	1	1
Mr. Kenneth Hung	1	1
Mr. Kwong Chi Keung	1	1
Mr. So Hon Cheung Stephen	1	1

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference. The Audit Committee comprises three independent non-executive directors namely Mr. So Hon Cheung Stephen (the Chairman of the Audit Committee), Mr. Kwong Chi Keung and Mr. Cheung Yat Hung Alton.

The main duties of the Audit Committee include review of the Group's financial information and oversight the Group's financial reporting process and internal control procedures. It is responsible for reviewing interim and final results of the Group prior to recommending them to the Board for approval. It also meets regularly with the external auditors to discuss their audit work and view. The Audit Committee also reviews the relationship with the external auditors.

The number of meetings of the Audit Committee held and attended by each of the Audit Committee members during the year are as follows:

Members	Number of meetings held	Number of meetings attended
Mr. Cheung Yat Hung Alton	2	2
Mr. Kwong Chi Keung	2	2
Mr. So Hon Cheung Stephen	2	2

The Audit Committee held meetings to review the financial results and internal control process of the Group. It also reviewed the external auditors' report on the audit of the Group's financial statements.

During the year, the Board has not taken any view that is different from that of the Audit Committee nor rejected any recommendation presented by the Audit Committee.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for overseeing the preparation of financial statements of the Group and ensure that the financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards.

The statement of external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 24 and 25.

AUDITORS' REMUNERATION

During the year, the remuneration payable or paid to the Group's auditors KPMG amounted to US$257,000 of which US$233,000 was in relation to statutory audit work of the Group and US$24,000 was for non-audit services rendered.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealing as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all the directors, the directors have complied with such code of conduct throughout the year ended 31 March 2007.

INTERNAL CONTROL

The Board has overall responsibility for the Group's internal control system. The internal control system of the Group includes a defined management structure with appropriate segregation of functions and duties. It includes procedures to safeguard assets against unauthorized use or disposition and maintenance of proper accounting records for the provision of reliable financial information. The internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Group has established an appropriate organization structure with defined operating policies and procedures, responsibility and line of authority. Senior management are delegated with respective levels of authorities to carry out the corporate strategies of the Group as well as to exercise effective control and review of business performance.

Operation budgets are prepared by the operational units and reviewed by the senior management before implementation. Relevant procedures are adopted to assess, review and approve major capital and recurring expenditures and for comparison and review of actual operating results and budget.

The directors present their report and the audited financial statements of Hang Ten Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company.

The principal activities of its subsidiaries are the design, marketing, retail and wholesale of apparels and trademark licensing. Details of the principal activities of the Group's principal subsidiaries are set out in note 34 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2007 are set out in the consolidated income statement on page 26.

The directors recommend the payment of a final dividend to the ordinary shareholders whose names appear on the register of members of the Company on 14 September 2007 at Hong Kong cent 5.0 per share (2006: Hong Kong cent 5.0 per share), equivalent to approximately United States cent 0.64 per share (2006: United States cent 0.64 per share), amounting to a total amount of approximately HK$49,112,500 (equivalent to approximately US$6,333,000).

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 29 to the financial statements.

RESERVES

Profit for the year, before dividends, of US$13,920,000 (2006: US$13,623,000) have been transferred to reserves. Other movements in the reserves of the Group and of the Company are set out in note 29 to the financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the past five years is set out on pages 95 to 96.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group are set out in note 12 to the financial statements.

DIRECTORS AND SERVICE CONTRACTS

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

Executive directors:

Mr. Chan Wing Sun *(Chairman)*
Mr. Kenneth Hung *(Chief Executive Officer)*
Ms. Kao Yu Chu
Ms. Wang Li Wen

Independent non-executive directors:

Mr. Cheung Yat Hung Alton
Mr. Kwong Chi Keung
Mr. So Hon Cheung Stephen

In accordance with Clause 87 of the Company's bye-laws, Mr. Kenneth Hung, Ms. Wang Li Wen and Mr. Cheung Yat Hung Alton shall retire, and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

Mr. Kenneth Hung has entered into a service agreement with a subsidiary of the Company for a term of three years commencing from 1 January 2007.

Ms. Wang Li Wen has entered into service agreements with certain subsidiaries of the Company for a term of three years commencing from 1 April 2007.

Other than disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting 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' INTEREST IN SECURITIES

As at 31 March 2007, the interests of the directors and their associates, as defined in the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Name of director	Nature of interests	Number of ordinary shares held	As approximate percentage of total issued ordinary shares
Mr. Kenneth Hung	Personal	36,200,000	3.69%
Ms. Kao Yu Chu	Personal	9,000,000	0.92%
Ms. Wang Li Wen	Personal	9,000,000	0.92%

Other than disclosed above, none of the directors and chief executive of the Company and their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 March 2007.

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or to their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The directors have confirmed to the Company that they are not interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed below in the section headed "Continuing Connected Transactions", no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTION SCHEME

Pursuant to a written resolution of the Company passed on 24 October 2002, the Company adopted a share option scheme. No option was granted during the year.

Particulars of the Company's share option schemes are set out in note 24 to the financial statements.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS IN THE COMPANY'S SECURITIES

As at 31 March 2007, the register of the substantial shareholders and other persons maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests and short positions in the issued ordinary shares of the Company:

Name	Capacity	Number of ordinary shares	As approximate percentage of total issued ordinary shares
Asian Wide Services Limited	Beneficial owner	369,886,000	37.66%
YGM Trading Limited	Beneficial owner	201,200,000	20.48%
Value Partners Limited *(note 1)*	Investment manager	78,198,000	7.96%

Note 1: Mr. Cheah Cheng Hye is deemed to be interested in the shares held by Value Partners Limited because of his control over Value Partners Limited.

Other than disclosed above, the Company has not been notified of any relevant interests or short positions in the issued ordinary shares of the Company as at 31 March 2007.

CONVERTIBLE SECURITIES, WARRANTS AND SIMILAR RIGHTS

The Company had no outstanding convertible securities, warrants and similar rights as at 31 March 2007 and there has been no exercise of any convertible securities, warrants or similar rights during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There had been no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares during the year.

PRE-EMPTIVE RIGHTS

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

CONTINUING CONNECTED TRANSACTIONS

The Group has engaged in certain transactions which constituted connected transactions with respect to the Group under Chapter 14A of the Listing Rules. Details of the transactions are as follows:

1. **Sales to a non-wholly owned subsidiary**

   Hang Ten Enterprises Limited ("HTEL"), a wholly owned subsidiary of the Company, supplied apparel and accessories to Hang Ten Phils, Corp. on an open account basis with credit terms of approximately 30 days for retailing in the Philippines. Hang Ten Phils, Corp. is a non wholly-owned subsidiary of the Group held as to 55% by ILC International Corporation ("ILC"), a wholly owned subsidiary of the Company. The remaining 45% of Hang Ten Phils, Corp is collectively held by Mr. Chua Kun Yao, Mr. William T. De Leon, Mr. Johnny Tan and Ms. Nancy C. Lim (collectively "Chua and company") and save for Ms. Nancy C. Lim, each of them is a director of Hang Ten Phils, Corp. For the year ended 31 March 2007, sales by HTEL to Hang Ten Phils, Corp amounted to about US$2,122,000.

2. **Sales to substantial shareholders of Hang Ten Phils, Corp**

   During the year ended 31 March 2007, HTEL sold apparel and accessories amounted to approximately US$1,410,000 on open account basis with credit term of approximately 30 days to Chua and company, being the substantial shareholders of Hang Ten Phils, Corp., and their associates (as defined in the Listing Rules) for distribution by them through door-to-door sales network in the Philippines.

3. **License to Hang Ten (China) Group Limited**

   Pursuant to a license agreement dated 23 May 2005 between ILC and Hang Ten (China) Group Limited ("Hang Ten (China)"), a company which is principally engaged in retailing business in the People's Republic of China (the "PRC"), ILC granted an exclusive license to Hang Ten (China) to use in the PRC the word "Hang Ten" and associated trademarks in the design, manufacturing, advertising, sale and promotion of clothing, footwear, headwear and other accessories (the "Licensed Items").

   Hang Ten (China) is beneficially owned as to approximately 73% by the Kung Family, approximately 25% by YGM Trading Limited, approximately 1% by Ms. Wang Li Wen, a director of the Company and approximately 1% by Ms. Kao Yu Chu, a director of the Company.

Pursuant to the license agreement, Hang Ten (China) is required to pay to ILC royalty accounted for on a quarterly basis that is equal to 2.5% of Hang Ten (China)'s total net sales to consumers for the Licensed Items. In addition, Hang Ten (China) is required to pay ILC on a quarterly basis as advertising contribution a sum equal to 2.5% of Hang Ten (China)'s total net sales. For the year ended 31 March 2007, the total royalty fee and advertising contribution receivable by ILC from Hang Ten (China) amounted to approximately US$182,000.

4. **Licensing Agent Agreements**

Pursuant to the licensing agent agreements dated 17 March 2006 between ILC Trademark Corporation ("ILCTM") and EPN Licensing, LLC ("EPN") and between International Licensing California Corporation ("ILCA") and EPN, ILCTM and ILCA have agreed to appoint EPN to act as its sole representative for the purpose of soliciting and securing licensees in connection with the Group's trademark maintenance and licensing operation.

Paul Epner who is a sole owner of EPN, was a director of certain subsidiaries of the Group namely, Hang Ten Korea Corp. and Hang Ten Phils. Corp. within the twelve month period prior to 1 April 2006.

ILCTM and ILCA are required to pay to EPN fixed annual fee and commission that is equal to 25% of the amount of royalties earned and received under each new license agreement or 2.5% of the amount of royalties earned and received under each existing license agreement as at the date of the licensing agent agreement.

For the year ended 31 March 2007, total commission and fixed annual fee paid by ILCTM to EPN amounted to approximately US$30,000 and total commission and fixed annual fee paid by ILCA to EPN amounted to approximately US$279,000.

The directors (including the independent non-executive directors) have reviewed and confirmed that the transactions referred to above:

1. have been entered into in the ordinary and usual course of its business of the Group;
2. have been conducted on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
3. were in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company and its shareholders taken as a whole.

The directors have received the auditors' confirmation as required under Rule 14A.38 of the Listing Rule.

MAJOR CUSTOMERS AND SUPPLIERS

The business of the Group is retail in nature and the sales to the 5 largest customers amounted to less than 30% of the Group's turnover for the year ended 31 March 2007. Accordingly, details of the largest customer and the five largest customers are not disclosed. During the year, the Group's largest and top five suppliers accounted for approximately 11% and 34% of the Group's purchases respectively.

None of the directors, their associates or shareholders which to the knowledge of the directors own more than 5% of the Company's issued share capital has any interest in any of the Group's five largest suppliers.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 March 2007 are set out in note 21 and note 27 to the financial statements.

RETIREMENT SCHEME

The Group operates a defined benefit retirement scheme which covers about 39% of the Group's employees and defined contribution retirement schemes. Particulars of the retirement scheme are set out in note 23 to the financial statements.

CORPORATE GOVERNANCE

The Company has complied with the Code of Corporate Governance Practices as contained in Appendix 14 of the Listing Rules throughout the year ended 31 March 2007. A report on the principal corporate governance practices adopted by the Company is set out on pages 14 to 17.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

EMOLUMENT POLICY

The emolument policy for employees of the Group is set by the board of directors on the basis of their merit, qualifications and competence.

The Company has a Remuneration Committee with written terms of reference to review the emolument policy of the Group

The emoluments of the directors of the Company are decided by the Remuneration Committee of the Company, having regard to the Company's operating results, individual performance, time commitment, responsibility and comparable market statistics.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2007.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. KPMG as auditors of the Company.

On behalf of the Board

Chan Wing Sun
Chairman

Hong Kong
19 July 2007

KPMG

Independent auditor's report to the shareholders of
Hang Ten Group Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Hang Ten Group Holdings Limited ("the Company") set out on pages 26 to 94, which comprise the consolidated and Company balance sheets as at 31 March 2007, and the consolidated income statement, 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 FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements 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 financial statements 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 financial statements 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 financial statements.

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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 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
19 July 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007 *(Expressed in United States dollars)*

	Note	**2007** **$'000**	2006 $'000
Turnover	3	**257,616**	243,093
Cost of sales		**(113,355)**	(112,180)
Gross profit		**144,261**	130,913
Other revenue	4	**4,857**	4,224
Other net income/(loss)	4	**697**	(51)
Selling expenses		**(109,425)**	(95,551)
Administrative expenses		**(17,511)**	(17,155)
Other operating expenses		**(2,865)**	(3,459)
Profit from operations		**20,014**	18,921
Finance costs	5(a)	**(1,021)**	(1,127)
Profit before taxation	5	**18,993**	17,794
Income tax	6(a)	**(5,073)**	(4,171)
Profit for the year		**13,920**	13,623
Attributable to:			
Equity shareholders of the Company	9 & 29	**13,952**	13,003
Minority interests	29	**(32)**	620
Profit for the year	29	**13,920**	13,623
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	10	**6,333**	6,350
Earnings per share	11		
Basic		**1.42 cents**	1.52 cents
Diluted		**1.42 cents**	1.32 cents

The notes on pages 33 to 94 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 March 2007 *(Expressed in United States dollars)*

	Note	2007 $'000	2006 $'000
Non-current assets			
Property, plant and equipment	12	**9,725**	8,838
Goodwill	13	**8,989**	8,989
Intangible assets	15	**17,711**	17,523
Deferred tax assets	26(b)	**3,843**	2,455
		40,268	37,805
Current assets			
Investments	16	**10,798**	10,567
Inventories	17	**32,881**	29,324
Trade and other receivables	18	**27,839**	23,493
Amounts due from related companies	25	**184**	151
Cash and cash equivalents	20	**15,930**	21,235
		87,632	84,770
Current liabilities			
Bank loans	21	**638**	621
Trade and other payables	22	**24,341**	24,001
Amounts due to shareholders	25	**813**	955
Current taxation	26(a)	**5,186**	4,294
		30,978	29,871
Net current assets		**56,654**	54,899
Total assets less current liabilities		**96,922**	92,704
Non-current liabilities			
Loans from shareholders	27	**16,400**	16,400
Deferred income	28	**7,080**	8,260
Employee benefits	23(a)	**272**	233
		23,752	24,893
NET ASSETS		**73,170**	67,811

	Note	**2007** **$'000**	2006 *$'000*
CAPITAL AND RESERVES	29(a)		
Share capital		**12,593**	12,593
Reserves		**59,759**	52,538
Total equity attributable to equity shareholders of the Company		**72,352**	65,131
Minority interests		**818**	2,680
TOTAL EQUITY		**73,170**	67,811

Approved and authorised for issue by the Board of Directors on 19 July 2007.

Chan Wing Sun) Directors

Kenneth Hung)

The notes on pages 33 to 94 form part of these financial statements.

BALANCE SHEET

At 31 March 2007 *(Expressed in United States dollars)*

	Note	2007 $'000	2006 $'000
Non-current assets			
Investments in subsidiaries	14	**30,339**	30,339
Current assets			
Other receivables	18	**17**	22
Amount due from a subsidiary	19	**6,800**	7,000
Cash and cash equivalents	20	**21**	18
		6,838	7,040
Current liabilities			
Other payables	22	**134**	175
Amount due to a subsidiary	19	**1,498**	1,698
		1,632	1,873
Net current assets		**5,206**	5,167
NET ASSETS		**35,545**	35,506
CAPITAL AND RESERVES	29(b)		
Share capital		**12,593**	12,593
Reserves		**22,952**	22,913
TOTAL EQUITY		**35,545**	35,506

Approved and authorised for issue by the Board of Directors on 19 July 2007

Chan Wing Sun) Directors
Kenneth Hung)

The notes on pages 33 to 94 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007 *(Expressed in United States dollars)*

		2007		2006	
	Note	***$'000***	***$'000***	*$'000*	*$'000*
Total equity at 1 April 2006/ 1 April 2005	*29*		**67,811**		58,971
Net income recognised directly in equity:					
Exchange differences on translation of financial statements of overseas subsidiaries	*29*		**458**		596
Net income for the year recognised directly in equity			**458**		596
Transfer from equity:					
Exchange reserve realised on capital reduction of subsidiary	*29*		**(619)**		–
Net profit for the year	*29*		**13,920**		13,623
Total recognised income and expense for the year			**13,759**		14,219
Attributable to:					
– Equity shareholders of the Company		**13,742**		13,456	
– Minority interests		**17**		763	
		13,759		14,219	
Dividends declared or approved during the year	*29*		**(6,350)**		(5,483)
Movements in equity arising from capital transactions:					
Redemption of capital of a subsidiary from minority shareholder	*29*	**(2,050)**		–	
Equity-settled share-based transactions	*29*	**-**		104	
			(2,050)		104
Total equity at 31 March 2007/ 31 March 2006	29		**73,170**		67,811

The notes on pages 33 to 94 form part of these financial statements.

For the year ended 31 March 2007 *(Expressed in United States dollars)*

	2007	2006
	$'000	*$'000*
Operating activities		
Profit before taxation	**18,993**	17,794
Adjustments for:		
– Depreciation	**4,294**	3,940
– Finance costs	**1,021**	1,127
– Interest income	**(575)**	(535)
– Net loss on sale of property, plant and equipment	**332**	103
– Write-off of property, plant and equipment	**–**	4,049
– Net realised and unrealised gains on listed funds	**(130)**	(74)
– Exchange reserve realised on capital reduction of subsidiary	**619**	–
– Equity-settled share-based payment expenses	**–**	104
– Foreign exchange (gain)/loss	**(1,048)**	900
Operating profit before changes in working capital	**23,506**	27,408
Increase in inventories	**(3,557)**	(7,713)
Increase in trade and other receivables	**(4,346)**	(3,040)
(Increase)/decrease in amounts due from related companies	**(33)**	18
Increase in trade and other payables	**340**	3,207
Decrease in amounts due to shareholders	**(142)**	(245)
Decrease in non-current deferred income	**(1,180)**	(1,180)
Increase in employee benefits	**39**	121
Cash generated from operations	**14,627**	18,576
Tax paid	**(5,518)**	(5,625)
Net cash generated from operating activities	**9,109**	12,951
Investing activities		
Payment for redemption of capital of a subsidiary from minority shareholder	**(2,050)**	–
Payment for the purchase of property, plant and equipment	**(5,485)**	(9,333)
Proceeds from sale of property, plant and equipment	**113**	64
Payment for purchase of intangible assets	**(188)**	–
Payment for purchase of listed funds	**(17,951)**	(22,511)
Proceeds from sale of listed funds	**17,648**	21,074
Interest received	**575**	535
Net cash used in investing activities	**(7,338)**	(10,171)

CONSOLIDATED CASH FLOW STATEMENT *(continued)*

For the year ended 31 March 2007 *(Expressed in United States dollars)*

	2007	2006
	$'000	*$'000*
Financing activities		
Interest paid	**(1,021)**	(1,163)
Repayment of bank loans	**(6)**	–
Repayment of loans from minority shareholders	**–**	(244)
Dividends paid on convertible preference shares	**–**	(31)
Dividends paid to ordinary shareholders of the Company	**(6,350)**	(5,452)
Net cash used in financing activities	**(7,377)**	(6,890)
Net decrease in cash and cash equivalents	**(5,606)**	(4,110)
Cash and cash equivalents at 1 April 2006/1 April 2005	**21,235**	25,345
Effect of foreign exchange rate changes	**301**	–
Cash and cash equivalents at 31 March 2007/31 March 2006	**15,930**	21,235

The notes on pages 33 to 94 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements 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 disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant 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. Note 2 provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2007 comprise the Company and its subsidiaries (together referred to as "the Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial instruments classified as financial assets through profit or loss (see note 1(e)) and foreign currency forward contracts (see note 1(f)) are stated at their fair values as explained in the accounting policies set out below.

The preparation of financial statements 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

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 financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 37.

(c) Subsidiaries and minority interests

Subsidiaries 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 is consolidated into the consolidated financial statements 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 financial statements. 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.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, 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 income statement 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, 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 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Subsidiaries and minority interests *(continued)*

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 1(m) or (n) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)), unless the investment is classified as held for sale.

(d) Goodwill

Goodwill represents the excess of the cost of a business combination 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(j)).

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 is recognised immediately in profit or loss.

(e) Investments in securities

Investments in securities classified as financial assets through profit or loss are included under current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) Foreign currency forward contracts

Foreign currency forward contracts, which do not qualify for hedge accounting, 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 profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Property, plant and equipment

Items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(j)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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

- Freehold land is not depreciated.
- Buildings situated on freehold land are depreciated over their estimated useful lives of 40 to 55 years after the date of completion.
- Leasehold improvements — 3 to 5 years
- Motor vehicles — 5 years
- Furniture, fixtures and other property, plant and equipment — 2 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Trademarks

Trademarks that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(j)).

Amortisation of trademarks with finite useful lives is charged to profit or loss on a straight-line basis over the trademarks estimated useful lives. Trademarks with finite useful lives are amortised from the date they are available for use over their estimated useful lives.

Both the period and method of amortisation are reviewed annually.

Trademarks are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of a trademark is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of trademarks with finite useful lives as stated above.

(i) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss 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 profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other 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:

– property, plant and equipment;

– trademarks;

– investments in subsidiaries (except for those classified as held for sale); and

– goodwill.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and trademarks that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– 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 the 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).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss 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.

– 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 asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Inventories

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

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

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

(l) 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 (see note 1(j)), 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 (see note 1(j)).

(m) 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 profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) 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.

(p) Employee benefits

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans 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 plan obligations*

Prior to 1 July 2005, the Group's Taiwan subsidiaries participated in a central pension scheme ("Old Scheme") providing benefits to all of their employees in accordance with the Labour Standards Law. With effect from 1 July 2005, certain employees of the Taiwan subsidiaries may choose to and have been transferred to a defined contribution scheme ("New Scheme") governed by the Labour Pension Act.

Under the Old Scheme, the Group has an obligation to ensure that there are sufficient funds in the scheme to pay the benefits earned for the service years of all employees covered before transfer to the New scheme and the subsequent service period of employees that chose to continue to participate in the Old Scheme. The Group currently contributes at 2% of the total salaries of participating employees as determined and approved by the relevant government authorities. The contributions are placed with the Central Trust of China, a government institution.

The Group's net obligation in respect of the Old Scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Employee benefits *(continued)*

(ii) Defined benefit retirement plan obligations (continued)

When the benefits of the Old Scheme are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss 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 profit or loss.

In calculating the Group's obligation in respect of the Old Scheme, if any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the pension scheme obligation and the fair value of plan assets, that portion is recognised in profit or loss over the expected average remaining working lives of the employees participating in the Old 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.

Under the New Scheme, the Taiwan subsidiaries contribute at 6% of the total salaries of participating employees that chose to participate in the New Scheme, deposited into individual pension accounts at the Bureau of Labour Insurance.

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share options reserve within equity. The fair value is measured at grant date using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Employee benefits *(continued)*

(iii) Share-based payments (continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share options reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share options reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share options reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(q) Income tax

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 profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. 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 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Income tax *(continued)*

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 (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries 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.

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 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. guarantor) to make specified payments to reimburse the beneficiary to 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 policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(r)(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) 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 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) 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 profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered to the customers which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Royalty income

Royalty income is recognised in accordance with the substance of the relevant agreements.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Management fee income

Management fee income is recognised when the services are rendered.

(v) Dividends

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

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Interest income

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in the United States dollars, which is the Company's functional and presentation currency.

(ii) Translation

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 gains and losses are recognised in profit or loss.

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.

The results of foreign operations are translated into United States 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 1 April 2005, are translated into United States 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 1 April 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(u) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Related parties

For the purposes of these financial statements, 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.

(w) 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, the Group has chosen geographical segment information as the primary reporting format and business segment information as the secondary reporting format for the purposes of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Segment reporting *(continued)*

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

2 CHANGES IN ACCOUNTING POLICIES

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.

Note 1 summarises the accounting policies of the Group after the adoption of these developments to the extent that they are relevant to the Group. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 38).

Financial guarantees issued (Amendments to HKAS 39, Financial instruments: Recognition and measurement: Financial guarantee contracts)

In prior years, financial guarantees issued by the Group were disclosed as contingent liabilities in accordance with HKAS 37 "*Provisions, contingent liabilities and contingent assets*". No provisions were made in respect of these guarantees unless it was more likely than not that the guarantee would be called upon.

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

Financial guarantees issued (Amendments to HKAS 39, Financial instruments: Recognition and measurement: Financial guarantee contracts) *(continued)*

With effect from 1 April 2006, in order to comply with the amendments to HKAS 39 in respect of financial guarantee contracts, the Group has changed its accounting policy for financial guarantees issued. Under the new policy, financial guarantees issued are accounted for as financial liabilities under HKAS 39 and measured initially at fair value, where the fair value can be reliably measured. Subsequently, they are measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that should be recognised in accordance with HKAS 37. Further details of the new policy are set out in note 1(r)(i).

During the year ended 31 March 2006 and 2007, financial guarantees are issued by the Company in respect of bank facilities granted to its subsidiaries. Due to the related party nature of these instruments, the directors considered it is not meaningful and practicable to estimate the fair values of the financial guarantees and therefore they have not been recognised in the Company's financial statements. As a result, the adoption of amendments to HKAS 39 has no impact on the Company's and the Group's net assets and results for the current and prior years.

3 TURNOVER

The principal activities of the Group are designing, marketing and sale of apparel and accessories under the brand name of "Hang Ten" and licensing of trademarks.

Turnover represents the sales value of goods supplied to customers and royalty income from licensing of trademarks. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2007	2006
	$'000	*$'000*
Sales of apparels	**253,706**	238,948
Royalty income	**3,910**	4,145
	257,616	243,093

4 OTHER REVENUE AND NET INCOME/(LOSS)

	2007	2006
	$'000	*$'000*
Other revenue		
Rental income	**617**	683
Management fee income	**1,269**	1,160
Bank interest income	**575**	535
Claims receivable from suppliers	**725**	425
Others	**1,671**	1,421
	4,857	4,224
Other net income/(loss)		
Net loss on sale of property, plant and equipment	**(332)**	(103)
Net foreign exchange gain	**728**	101
Net realised and unrealised gains on listed funds	**130**	74
Others	**171**	(123)
	697	(51)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2007	2006
	$'000	$'000
(a) Finance costs:		
Interest on bank advances and other borrowings wholly repayable within five years	**36**	142
Interest on shareholders' loans	**985**	985
	1,021	1,127
(b) Staff costs:		
Contributions to defined contribution retirement schemes	**1,183**	927
Expenses recognised in respect of defined benefit retirement schemes *(note 23(a)(v))*	**58**	216
Retirement costs	**1,241**	1,143
Equity-settled share-based payment expenses	**–**	104
Salaries and staff benefits	**27,175**	27,231
	28,416	28,478
(c) Other items:		
Depreciation	**4,294**	3,940
Commission to franchisees	**23,166**	19,964
Impairment losses on trade and other receivables	**1,437**	546
Auditors' remuneration	**274**	221
Operating lease charges (including retail shops and department store counters)	**48,366**	38,669
Cost of inventories *(note 17(b))*	**113,355**	112,180
Loss on liquidation of a subsidiary# *(note 34)*	**–**	1,683

The amount in 2006 included write-off of property, plant and equipment, inventories and trade and other receivables of the subsidiary, which amount was also included in the respective amounts disclosed separately in the financial statements for the year ended 31 March 2006.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	2007 **$'000**	2006 $'000
Current tax – Overseas		
Provision for the year	**5,807**	4,970
Under-provision in respect of prior years	**603**	276
	6,410	5,246
Deferred tax		
Origination and reversal of temporary differences	**(1,337)**	(1,075)
	5,073	4,171

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group sustained a loss for Hong Kong Profits Tax purposes during the year.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

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

	2007 **$'000**	2006 $'000
Profit before taxation	**18,993**	17,794
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**3,626**	4,239
Tax effect of non-deductible expenses	**224**	353
Tax effect of non-taxable income	**(456)**	(430)
Tax effect of unrecognised deferred tax assets	**1,076**	(267)
Under-provision in prior years	**603**	276
Actual tax expense	**5,073**	4,171

7 DIRECTORS' REMUNERATION

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

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	2007 Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Executive directors					
Chan Wing Sun	129	–	–	–	129
Kenneth Hung	1	725	–	–	726
Wang Li Wen	1	180	62	6	249
Kao Yu Chu	1	201	72	6	280
Independent non-executive directors					
So Hon Cheung Stephen	31	–	–	–	31
Kwong Chi Keung	31	–	–	–	31
Cheung Yat Hung Alton	15	–	–	–	15
	209	1,106	134	12	1,461

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	2006 Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Executive directors					
Chan Wing Sun	–	129	–	–	129
Kenneth Hung	1	795	–	–	796
Wang Li Wen	1	171	54	10	236
Kao Yu Chu	1	192	63	11	267
Independent non-executive directors					
So Hon Cheung Stephen	31	–	–	–	31
Kwong Chi Keung	31	–	–	–	31
Cheung Yat Hung Alton	15	–	–	–	15
	80	1,287	117	21	1,505

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2006: two) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2006: three) individuals are as follows:

	2007	2006
	$'000	*$'000*
Salaries and other emoluments	**623**	1,145
Discretionary bonuses	**270**	146
Equity-settled share-based payments	**–**	20
	893	1,311

The emoluments of the two (2006: three) individuals with the highest emoluments are within the following bands:

	2007	2006
	Number of individual	*Number of individual*
$320,513 – $384,615 (equivalent to HK$2,500,001 – HK$3,000,000)	**–**	1
$384,616 – $448,718 (equivalent to HK$3,000,001 – HK$3,500,000)	**1**	1
$448,719 – $512,820 (equivalent to HK$3,500,001 – HK$4,000,000)	**1**	–
$512,821 – $576,923 (equivalent to HK$4,000,001 – HK$4,500,000)	**–**	1
	2	3

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of $6,389,000 (2006: $6,492,000) which has been dealt with in the financial statements of the Company.

10 DIVIDENDS

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

	2007	2006
	$'000	*$'000*
Dividend on convertible preference shares at 1%	**–**	17
Final dividend proposed after the balance sheet date of HK5.0 cents (2006: HK5.0 cents) per ordinary share (equivalent to approximately US0.64 cent (2006: US0.64 cent) per ordinary share)	**6,333**	6,333
	6,333	6,350

The final dividend proposed after the balance sheet date has not been recognised as 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
	$'000	*$'000*
Dividend on convertible preference shares at 1%	**17**	31
Final dividend in respect of the previous financial year, approved and paid during the year, of HK5.0 cents (2006: HK5.0 cents) per ordinary share (equivalent to approximately US0.64 cent (2006: US0.64 cent) per ordinary share)	**6,333**	5,452
	6,350	5,483

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $13,952,000 (2006: $13,003,000) and the weighted average number of 982,250,000 ordinary shares (2006: 853,910,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share for the year ended 31 March 2007 is the same as basic earnings per share as all potential ordinary shares are anti-dilutive. The calculation of diluted earnings per share for the year ended 31 March 2006 was based on the profit attributable to ordinary equity shareholders of the Company of $13,003,000 and the weighted average number of ordinary shares of 984,647,000 shares, calculated as follows:

	2006 *'000*
Weighted average number of ordinary shares at 31 March	853,910
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	130,737
Weighted average number of ordinary shares (diluted) at 31 March	984,647

12 PROPERTY, PLANT AND EQUIPMENT

The Group

	Land and buildings held for own use	Leasehold improvements	Motor vehicles	Furniture, fixtures and other property, plant and equipment	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Cost:					
At 1 April 2006	2,022	5,516	507	5,357	13,402
Exchange adjustments	27	140	7	183	357
Additions	–	2,532	48	2,905	5,485
Disposals	–	(1,043)	–	(888)	(1,931)
At 31 March 2007	2,049	7,145	562	7,557	17,313
Accumulated depreciation and impairment loss:					
At 1 April 2006	546	778	318	2,922	4,564
Exchange adjustments	(9)	121	–	104	216
Charge for the year	29	2,900	88	1,277	4,294
Written back on disposals	–	(756)	–	(730)	(1,486)
At 31 March 2007	566	3,043	406	3,573	7,588
Net book value:					
At 31 March 2007	1,483	4,102	156	3,984	9,725

12 PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Group *(continued)*

	Land and buildings held for own use	Leasehold improvements	Motor vehicles	Furniture, fixtures and other property, plant and equipment	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Cost:					
At 1 April 2005	1,991	5,843	493	3,941	12,268
Exchange adjustments	31	(198)	(5)	99	(73)
Additions	–	6,341	26	2,966	9,333
Disposals					
– through liquidation of a subsidiary *(note 34)*	–	(2,882)	–	(1,402)	(4,284)
– others	–	(3,588)	(7)	(247)	(3,842)
At 31 March 2006	2,022	5,516	507	5,357	13,402
Accumulated depreciation and impairment loss:					
At 1 April 2005	531	1,424	252	2,305	4,512
Exchange adjustments	(13)	(52)	(6)	93	22
Charge for the year	28	2,994	79	839	3,940
Written back on disposals					
– through liquidation of a subsidiary *(note 34)*	–	(126)	–	(109)	(235)
– others	–	(3,462)	(7)	(206)	(3,675)
At 31 March 2006	546	778	318	2,922	4,564
Net book value:					
At 31 March 2006	1,476	4,738	189	2,435	8,838

All land and buildings are located outside Hong Kong. The land is freehold. At 31 March 2007, certain land and buildings of the Group with a carrying value of $1,138,000 (2006: $1,122,000) were pledged as security for a bank loan (note 21).

13 GOODWILL

	The Group	
	2007	2006
	$'000	*$'000*
Cost:		
At 1 April 2005, 31 March 2006 and 31 March 2007	**8,989**	8,989

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to country of operation as follows:

	The Group	
	2007	2006
	$'000	*$'000*
Taiwan operations	**5,663**	5,663
Korea operations	**1,978**	1,978
	7,641	7,641
Multiple operations without significant goodwill	**1,348**	1,348
	8,989	8,989

The Group completed its annual impairment test for goodwill by comparing its recoverable amount to its carrying amount as at 31 March 2007. The recoverable amount is determined based on value-in-use calculations.

The Group appointed independent professional valuers to conduct a valuation of the goodwill using cashflow projections covering a five-year period, based on the following principal financial estimates:

	2007	2006
Discount rate of cashflow	**14%**	16%
Annual growth rate	**11% to 14%**	9% to 12%

Management has considered the above assumptions and the business expansion plan and believes that there is no impairment in goodwill as at 31 March 2007.

14 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2007	2006
	$'000	*$'000*
Unlisted shares, at cost	**30,339**	30,339

The particulars of principal subsidiaries are set out in note 34.

15 INTANGIBLE ASSETS

	The Group	
	2007	2006
	$'000	*$'000*
Trademarks		
Cost:		
At 1 April 2006/1 April 2005	**17,523**	17,523
Addition	**188**	–
At 31 March 2007/31 March 2006	**17,711**	17,523

The Group reassessed the useful life of trademarks at 31 March 2007 and reached a conclusion that the acquired trademarks of "Hang Ten" continued to be regarded as having an indefinite useful life. The assessment is based on the future financial performance of the Group with a well known and long established fashion brand, which generates net cash inflows indefinitely. This view is supported by an independent professional appraiser, appointed by the Group to assess the useful life of trademarks in accordance with the requirements of HKAS 38. Having considered the factors specific to the Group, the appraiser opined that the "Hang Ten" trademarks should be regarded as intangible assets with an indefinite useful life.

The Group completed its annual impairment test for the trademarks by comparing its recoverable amount to its carrying amount and concluded that there is no impairment as at 31 March 2007. The impairment test is based on a valuation conducted by the above independent professional appraiser using cashflow projections covering a five-year period with the following principal financial estimates:

	2007	2006
Expected royalty rates from trademarks	**1% to 3%**	1% to 3.5%
Discount rate of cashflow	**14%**	16%

16 INVESTMENTS

	The Group	
	2007	2006
	$'000	*$'000*
Listed funds in Taiwan stated at fair value	**10,798**	10,567

17 INVENTORIES

(a) Inventories in the balance sheet comprise:

	The Group	
	2007	2006
	$'000	*$'000*
Finished goods	**40,377**	31,686
Goods in transit	**62**	2,072
	40,439	33,758
Less: Write-down of inventories	**(7,558)**	(4,434)
	32,881	29,324

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2007	2006
	$'000	*$'000*
Carrying amount of inventories sold	**110,231**	110,623
Write-down of inventories	**3,124**	1,557
	113,355	112,180

18 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*
Trade debtors	**10,489**	7,719	**–**	–
Royalty receivables	**383**	2,176	**–**	–
Rental deposits	**12,601**	11,332	**–**	–
Prepayments and other receivables	**4,366**	2,266	**17**	22
	27,839	23,493	**17**	22

All of the trade and other receivables are expected to be recovered within one year, except for the rental deposits.

Included in trade and other receivables are trade debtors and royalty receivables (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2007	2006
	$'000	*$'000*
Current	**9,297**	8,048
1 to 3 months overdue	**1,533**	856
More than 3 months but less than 1 year overdue	**42**	592
More than 1 year but less than 2 years overdue	**–**	399
	10,872	9,895

The Group's credit policy is set out in note 30(a).

19 AMOUNTS DUE FROM/(TO) A SUBSIDIARY

The amounts due from/(to) a subsidiary are unsecured, interest free and recoverable/repayable on demand.

20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash at bank and in hand.

21 BANK LOANS

At 31 March 2007, the bank loans were repayable as follows:

	The Group	
	2007	2006
	$'000	*$'000*
Within 1 year or on demand	**638**	621

At 31 March 2007, the banks loans were secured as follows:

	The Group	
	2007	2006
	$'000	*$'000*
Bank loans		
– secured	**638**	615
– unsecured	**–**	6
	638	621

The bank loan of $638,000 (2006: $615,000) is secured by mortgage over certain land and buildings with a carrying value of $1,138,000 (2006: $1,122,000).

The Group's unsecured banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions.

22 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	*$'000*	***$'000***	*$'000*
Trade creditors	**7,352**	9,600	**–**	–
Bills payable	**1,543**	1,381	**–**	–
Interest on loans from shareholders *(note 35(c)(ii))*	**985**	985	**–**	–
Accrued charges	**7,898**	6,185	**134**	175
Deferred income *(note 28)*	**1,180**	1,180	**–**	–
Deposits received	**3,658**	2,507	**–**	–
Others	**1,725**	2,163	**–**	–
	24,341	24,001	**134**	175

Credit terms obtained by the Group range from 30 to 45 days. All of the trade and other payables are expected to be settled within one year, except for the deposits received.

Included in accrued charges of the Group is a provision for additional value added tax of $1,014,000 (2006: $1,014,000). Details of which are set out in note 32(b) to the financial statements.

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date:

	The Group	
	2007	2006
	$'000	*$'000*
Due within 1 month or on demand	**6,079**	9,668
Due after 1 month but within 3 months	**1,925**	475
Due after 3 months but within 6 months	**891**	838
	8,895	10,981

Included in trade and other payables is the following amount denominated in a currency other than the functional currency of the entity to which it relates:

	The Group	
	2007	2006
	'000	*'000*
Hong Kong Dollars	**HK$8,100**	HK$10,710

23 EMPLOYEE RETIREMENT BENEFITS

(a) Defined benefit retirement schemes

The Group's Taiwan subsidiaries participate in a central pension scheme providing benefits to participating employees in accordance with the Labour Standards Law (as amended) in Taiwan. The Group has an obligation to ensure that there are sufficient funds in the scheme to pay the benefits earned. The Group currently contributes at 2% of the total salaries as determined and approved by the relevant government authorities. The contributions are placed with the Central Trust of China, a government institution.

The central pension scheme is funded by contributions from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuation. The latest independent actuarial valuation of the scheme was at 31 March 2007 and was performed by Dr Lin, who is a Fellow of Actuarial Institute of Republic of China, using the projected unit credit method. The actuarial valuation indicates that the Group's obligations under the defined benefit retirement scheme are 87% (2006: 88%) covered by the plan assets placed with the government institution.

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

	The Group	
	2007	2006
	$'000	*$'000*
Present value of funded obligations	**1,792**	1,743
Fair value of plan assets	**(1,562)**	(1,539)
Present value of net obligations	**230**	204
Unrecognised transitional liabilities	**(43)**	(46)
Unrecognised actuarial gains	**85**	75
	272	233

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 $57,000 in contributions to defined benefit retirement plans in the coming year.

23 EMPLOYEE RETIREMENT BENEFITS *(continued)*

(a) Defined benefit retirement schemes *(continued)*

(ii) Plan assets consist of the following:

	The Group	
	2007	2006
	$'000	*$'000*
Cash deposits	**1,562**	1,539

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

	The Group	
	2007	2006
	$'000	*$'000*
At 1 April 2006/1 April 2005	**1,743**	2,263
Exchange adjustments	**(34)**	(60)
Current service cost	**30**	128
Interest cost	**65**	83
Actuarial losses	**(12)**	(671)
At 31 March 2007/31 March 2006	**1,792**	1,743

(iv) Movements in plan assets

	The Group	
	2007	2006
	$'000	*$'000*
At 1 April 2006/1 April 2005	**1,539**	1,454
Exchange adjustments	**(30)**	(36)
Group's contributions paid to the scheme	**14**	90
Actuarial expected return on scheme assets	**42**	38
Actuarial gains	**(3)**	(7)
At 31 March 2007/31 March 2006	**1,562**	1,539

23 EMPLOYEE RETIREMENT BENEFITS *(continued)*

(a) Defined benefit retirement schemes *(continued)*

(v) Expense recognised in consolidated profit or loss is as follows:

	The Group	
	2007	2006
	$'000	*$'000*
Current service cost	**30**	128
Interest on obligations	**65**	83
Actuarial expected return on plan assets	**(42)**	(38)
Amortisation of actuarial losses and transitional liabilities	**5**	43
	58	216

The expenses are recognised in the following line items in the consolidated income statement:

	The Group	
	2007	2006
	$'000	*$'000*
Selling expenses	**55**	149
Administrative expenses	**3**	67
	58	216
Actual return on plan assets	**39**	31

23 EMPLOYEE RETIREMENT BENEFITS *(continued)*

(a) Defined benefit retirement schemes *(continued)*

(vi) The principal actuarial assumptions used as at 31 March 2007 (expressed as weighted averages) are as follows:

	The Group	
	2007	2006
Discount rate	**3.75%**	3.75%
Expected rate of return on plan assets	**2.75%**	2.75%
Future salary increases	**2.75%**	2.75%

The expected long-term rate of return on plan assets is based on the return of plan assets (i.e. cash deposits), which is based exclusively on historical returns, without adjustments.

Historical information

	The Group	
	2007	2006
	$'000	*$'000*
Present value of the defined benefit obligations	**1,792**	1,743
Fair value of plan assets	**(1,562)**	(1,539)
Deficit in the plan	**230**	204
Experience adjustments arising on plan liabilities	**11**	671
Experience adjustments arising on plan assets	**3**	7

(b) Defined contribution retirement scheme

With effect from 1 July 2005, certain employees of the Taiwan subsidiaries who were previously covered in the above defined benefit retirement plans may choose to and have been transferred to a defined contribution scheme governed by the Labour Pension Act. The Taiwan subsidiaries contribute at 6% of the total salaries of participating employees that chose to participate in the defined contribution scheme, deposited into individual pension accounts at the Bureau of Labour Insurance. Contributions to the defined contribution scheme are charged to profit or loss when incurred.

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. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

For other subsidiaries, contributions to the defined contribution pension schemes are recognised as an expense in the profit or loss as incurred.

(Expressed in United States dollars unless otherwise indicated)

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme ("the Share Option Scheme") which was adopted on 3 January 2003 whereby the directors of the Company may, at their discretion, grant options to all employees, including directors of the Company or any of its subsidiaries, to subscribe for ordinary shares of the Company. A nominal consideration of HK$1 is payable on acceptance of the grant of an option and will entitle the holder to subscribe for ordinary shares during a period to be determined and notified by the directors of the Company, in any event not later than 10 years from the date of the grant of the option, as may be determined by the directors of the Company at a price not less than the higher of:

(i) the nominal value of the ordinary shares;

(ii) the closing price of the ordinary shares as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited ("HKSE") on the date of the offer of grant; and

(iii) the average closing price of the ordinary shares as stated in the HKSE's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant.

The maximum number of ordinary shares in respect of which options may be granted under the Share Option Scheme, must not in aggregate exceed 10% of the issued ordinary share capital of the Company from time to time. In respect of the maximum entitlement of each participant under the Share Option Scheme, the number of securities issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue. Any ordinary shares allotted and issued on the exercise of options will rank pari passu with the other ordinary shares in issue at the date of exercise of the relevant option. Each option gives the holder the right to subscribe for one ordinary share in the Company.

Movements during the year:

Date of grant	**Exercise price per share**	**Exercise period**	**Outstanding as at 1 April 2006**	**Lapsed during the year**	**Outstanding as at 31 March 2007**
7 April 2004	HK$1.52	1 April 2005 to 31 March 2009	5,580,000	(250,000)	5,330,000
7 April 2004	HK$1.52	1 April 2006 to 31 March 2009	5,580,000	(250,000)	5,330,000
			11,160,000	(500,000)	10,660,000

(Expressed in United States dollars unless otherwise indicated)

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(a) The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to employees:			
– on 7 April 2004	5,580,000	One year from the date of grant	5 years
– on 7 April 2004	5,580,000	Two years from the date of grant	5 years
Total share options	11,160,000		

(b) The number and weighted average exercise prices of share options are as follows:

	2007		2006	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	**HK$1.52**	**11,160,000**	HK$1.52	12,110,000
Lapsed during the period	**HK$1.52**	**(500,000)**	HK$1.52	(950,000)
Outstanding at the end of the period	**HK$1.52**	**10,660,000**	HK$1.52	11,160,000
Exercisable at the end of the period	**HK$1.52**	**10,660,000**	HK$1.52	5,580,000

There were no share options granted or exercised during the years ended 31 March 2007 and 31 March 2006. The options outstanding at 31 March 2007 had an exercise price of HK$1.52 (2006: HK$1.52) and a weighted average remaining contractual life of 2 years (2006: 3 years).

(Expressed in United States dollars unless otherwise indicated)

24 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on Black-Scholes Option Pricing Model. The contractual life of the share option is used as an input into this model.

Fair value of share options and assumptions

	2007	2006
Fair value at measurement date	**HK$0.29**	HK$0.29
Share price	**HK$1.40**	HK$1.40
Exercise price	**HK$1.52**	HK$1.52
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes Option Pricing Model)	**38.84%**	38.84%
Option life (expressed as weighted average life used in the modelling under Black-Scholes Option Pricing Model)	**5 years**	5 years
Expected dividends	**3.50%**	3.50%
Risk-free interest rate	**2.80%**	2.80%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options). Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

There were no service conditions or market conditions associated with the share options granted.

25 BALANCES WITH RELATED COMPANIES/SHAREHOLDERS

The balances are unsecured, interest free and repayable on demand. Details of related party transactions are set out in note 35.

26 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents

	The Group 2007 $'000	2006 $'000
Provision for overseas tax	**5,807**	4,970
Provisional tax paid	**(2,448)**	(2,190)
	3,359	2,780
Balance of profits tax provision relating to prior years	**1,827**	1,514
	5,186	4,294

The Group operates mainly in Taiwan, Korea, Singapore, United States and other countries in Asia and Europe. The directors have reviewed the Group's worldwide operations and consider that adequate provision for taxation has been made in the consolidated financial statements. Details of certain income tax contingencies are set out in note 32.

(b) Deferred tax assets recognised

The Group

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

	Depreciation in excess of related depreciation allowances $'000	Inventory write-down $'000	Operating revenue $'000	Future benefit of tax losses $'000	Others $'000	Total $'000
Deferred tax arising from:						
At 1 April 2005	11	468	850	–	(11)	1,318
Exchange adjustments	–	(4)	62	–	4	62
Credited to profit or loss	93	265	501	181	35	1,075
At 31 March 2006	104	729	1,413	181	28	2,455
At 1 April 2006	104	729	1,413	181	28	2,455
Exchange adjustments	–	(2)	52	–	1	51
(Charged)/credited to profit or loss	(88)	267	(230)	(181)	1,569	1,337
At 31 March 2007	16	994	1,235	–	1,598	3,843

26 INCOME TAX IN THE BALANCE SHEET *(continued)*

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets on the following deductible temporary differences as it is not probable that future taxable profits will be available against which the assets can be utilised:

	The Group	
	2007	2006
	$'000	*$'000*
Future benefit of tax losses	**4,729**	568
Others	**1,717**	396
	6,446	964

At 31 March 2007, the Group has not recognised deferred tax assets in respect of tax losses, whose expiry dates are:

	The Group	
	2007	2006
	$'000	*$'000*
In March 2007	**–**	464
In March 2011	**104**	104
In March 2012	**596**	–
No expiry date	**4,029**	–
	4,729	568

(d) Deferred tax liabilities not recognised

At 31 March 2007, temporary differences relating to the undistributed profits of subsidiaries amounted to $27,889,000 (2006: $20,963,000). Deferred tax liabilities of $5,786,000 (2006: $3,808,000) have not been recognised in respect of the tax that would be payable on distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

27 LOANS FROM SHAREHOLDERS

The loans from shareholders were borrowed by Hang Ten International Holdings Limited ("Hang Ten (BVI)") to finance the acquisition of ILC International Corporation ("ILC") in December 2001. The loans are unsecured, interest bearing at an annual rate of 6% and due for repayment in 2011 or earlier if an event of default occurs under the terms of the loan agreements. Accrued interest of $985,000 (2006: $985,000) is included under trade and other payables in note 22.

28 DEFERRED INCOME

A subsidiary of the Group entered into an agreement with Itochu Corporation ("Itochu") on 7 May 2004 for the lease of exclusive rights in respect of "Hang Ten" in the Japan territory for a period of 10 years ending 31 March 2014 for a fee of $11,800,000 (net of tax at $10,620,000). An option was granted to Itochu under this agreement to purchase the exclusive rights at a price of $10,730,000 upon expiry of the 10-year lease period.

Deferred income represents the unearned portion of royalty income and is analysed as follows:

	The Group	
	2007	2006
	$'000	*$'000*
Total deferred income	**8,260**	9,440
Less: current portion included in trade and other payables *(note 22)*	**(1,180)**	(1,180)
	7,080	8,260

29 CAPITAL AND RESERVES

(a) The Group

	Share capital $'000	Share premium $'000	Contributed surplus $'000	Share options reserve $'000	Exchange reserve $'000	Retained profits $'000	Total $'000	Minority interests $'000	Total equity $'000
At 1 April 2005	12,593	1,528	5,710	338	3,671	33,214	57,054	1,917	58,971
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	453	–	453	143	596
Dividends approved in respect of previous year	–	–	–	–	–	(5,483)	(5,483)	–	(5,483)
Equity-settled share-based transactions	–	–	–	104	–	–	104	–	104
Profit for the year	–	–	–	–	–	13,003	13,003	620	13,623
At 31 March 2006	12,593	1,528	5,710	442	4,124	40,734	65,131	2,680	67,811
At 1 April 2006	12,593	1,528	5,710	442	4,124	40,734	65,131	2,680	67,811
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	409	–	409	49	458
Exchange reserve realised on capital reduction of subsidiary	–	–	–	–	(619)	–	(619)	–	(619)
Dividends approved in respect of previous year	–	–	–	–	–	(6,350)	(6,350)	–	(6,350)
Redemption of capital of a subsidiary from minority shareholder	–	–	–	–	(17)	(154)	(171)	(1,879)	(2,050)
Profit/(loss) for the year	–	–	–	–	–	13,952	13,952	(32)	13,920
At 31 March 2007	12,593	1,528	5,710	442	3,897	48,182	72,352	818	73,170

29 CAPITAL AND RESERVES *(continued)*

(b) The Company

	Share capital $'000	Share premium $'000	Contributed surplus $'000	Share options reserve $'000	Retained profits $'000	Total $'000
At 1 April 2005	12,593	1,528	14,562	338	5,372	34,393
Dividends approved in respect of previous year	–	–	–	–	(5,483)	(5,483)
Equity-settled share-based transactions	–	–	–	104	–	104
Profit for the year	–	–	–	–	6,492	6,492
At 31 March 2006	12,593	1,528	14,562	442	6,381	35,506
At 1 April 2006	12,593	1,528	14,562	442	6,381	35,506
Dividends approved in respect of previous year	–	–	–	–	(6,350)	(6,350)
Profit for the year	–	–	–	–	6,389	6,389
At 31 March 2007	12,593	1,528	14,562	442	6,420	35,545

(c) Share capital

Authorised and issued share capital

	2007				
	Number of ordinary shares '000	$'000	Number of convertible preference shares	$'000	Total $'000
Authorised:					
Ordinary shares of HK$0.10 each	**2,500,000**	**32,051**	**-**	**-**	**32,051**
Convertible preference shares ("CPS") of HK$10,000 each	**-**	**-**	**7,307**	**9,368**	**9,368**
	2,500,000	**32,051**	**7,307**	**9,368**	**41,419**
Issued and fully paid:					
At 1 April 2006 and 31 March 2007	**982,250**	**12,593**	**-**	**-**	**12,593**

29 CAPITAL AND RESERVES *(continued)*

(c) Share capital *(continued)*

Authorised and issued share capital (continued)

	2006				
	Number of ordinary shares *'000*	*$'000*	Number of convertible preference shares	*$'000*	Total *$'000*
Authorised:					
Ordinary shares of HK$0.10 each	2,500,000	32,051	–	–	32,051
CPS of HK$10,000 each	–	–	7,307	9,368	9,368
	2,500,000	32,051	7,307	9,368	41,419
Issued and fully paid:					
At 1 April 2005	780,650	10,008	2,016	2,585	12,593
Conversion of CPS *(Note)*	201,600	2,585	(2,016)	(2,585)	–
At 31 March 2006	982,250	12,593	–	–	12,593

Note: During the year ended 31 March 2006, 2,016 CPS were converted into 201,600,000 ordinary shares of the Company at a conversion price of HK$0.10 each.

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 meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

29 CAPITAL AND RESERVES *(continued)*

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by section 40 of the Bermuda Companies Act 1981.

(ii) Contributed surplus

The excess of the consolidated net assets of Hang Ten (BVI) acquired over the nominal value of the shares issued by the Company pursuant to the reorganisation completed prior to its listing on the HKSE in January 2003 is credited to contributed surplus. Contributed surplus is available for distribution to shareholders in accordance with the Bermuda Companies Act 1981 subject to certain conditions.

(iii) Share options reserve

The share options reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 1(p)(iii).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(t).

(e) Distributability of reserves

At 31 March 2007, the aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to $22,510,000 (2006: $22,471,000). After the balance sheet date the directors proposed a final dividend of HK5.0 cents per ordinary share (2006: HK5.0 cents per ordinary share), amounting to $6,333,000 (2006: $6,333,000). This dividend has not been recognised as a liability at the balance sheet date.

30 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to wholesale of goods and royalty receivables as retail sales to customers are made in cash or through credit cards. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are generally due within one to two months from the date of billing. The Group occasionally requests a cash deposit as collateral from customers.

Investments are only in listed funds in Taiwan held by the Taiwan subsidiaries.

The Group does not have a concentration of credit risk at 31 March 2007. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group does not provide any guarantees which would expose the Group to credit risk.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's management. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

(c) Interest rate risk

As the Group has no significant floating interest-bearing borrowings, it is not exposed to significant interest rate risk. The Group's exposure to changes in interest rates relates primarily to the Group's cash and cash equivalents.

30 FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk *(continued)*

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or the maturity dates, if earlier.

	2007			
	Effective interest rate	**Total** *$'000*	**One year or less** *$'000*	**2 – 5 years** *$'000*
Repricing dates for assets which reprice before maturity				
Cash and cash equivalents	**1% to 5%**	**15,930**	**15,930**	**–**
Unsecured bank loans		**–**	**–**	**–**
		15,930	**15,930**	**–**
Maturity dates for liabilities which do not reprice before maturity				
Secured bank loans	**5.7%**	**(638)**	**(638)**	**–**
Loans from shareholders	**6%**	**(16,400)**	**–**	**(16,400)**
		(17,038)	**(638)**	**(16,400)**

30 FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk *(continued)*

Effective interest rates and repricing analysis *(continued)*

	2006			
	Effective interest rate	Total $'000	One year or less $'000	2 – 5 years $'000
Repricing dates for assets/(liabilities) which reprice before maturity				
Cash and cash equivalents	1% to 5%	21,235	21,235	–
Unsecured bank loans	3.8%	(6)	(6)	–
		21,229	21,229	–
Maturity dates for liabilities which do not reprice before maturity				
Secured bank loans	5.6%	(615)	(615)	–
Loans from shareholders	6%	(16,400)	–	(16,400)
		(17,015)	(615)	(16,400)

(d) Foreign currency risk

(i) Forecast transactions

The Group operates in a number of countries and is exposed to foreign exchange risk arising from various currency transactions.

The Group is exposed to foreign currency risk primarily through purchases that are denominated in a currency other than the functional currency of the operations to which they relate particularly in Hong Kong dollars. To manage the foreign exchange risk arising from forecast transactions, the Group uses forward contracts when material fluctuation in the relevant foreign currency is anticipated. There were no outstanding foreign currency forward contracts as at 31 March 2007 and 31 March 2006.

The inter-group transactions are normally denominated in United States dollars.

30 FINANCIAL INSTRUMENTS *(continued)*

(d) Foreign currency risk *(continued)*

(ii) Recognised assets and liabilities and net investment in foreign operations

In respect of recognised assets and liabilities held in currencies other than the functional currency of the entities to which they relate, and certain investment in foreign operations whose net assets are exposed to foreign currency translation risk, the Group ensures that the net exposure is kept to an acceptable level. All the Group's borrowings are denominated in the functional currency of the entity taking out the loan.

(e) Fair values

All financial instruments are carried at amounts not materially different from their carrying values as at 31 March 2007 and 2006.

(f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

(i) Securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

(ii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

31 OPERATING LEASE COMMITMENTS

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

	The Group	
	2007	2006
	$'000	*$'000*
Within 1 year	**19,459**	21,050
After 1 year but within 5 years	**26,574**	33,184
	46,033	54,234

31 OPERATING LEASE COMMITMENTS *(continued)*

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of two to six years, with an option to renew the lease when all terms are renegotiated. The monthly rentals of the leases are either fixed or contingent based on an agreed percentage of the turnover of the respective months. For the purpose of the above disclosure, contingent rentals are based on the minimum rental payments stipulated in the lease agreements.

32 CONTINGENT LIABILITIES

(a) Letters of credit

At 31 March 2007, outstanding letters of credit of the Group for the purchase of goods amounted to $4,365,000 (2006: $3,696,000).

(b) Tax exposure in relation to the co-operative arrangement

In December 2003, the Group received a notice of claim from Taiwan Tax Authority ("TTA") for additional value added tax ("VAT") and penalties (up to three times of the additional VAT) in respect of sales made through certain retail shops which are operated under co-operative arrangements with third parties. The TTA considers that the Group has excluded a portion of the sales value during the period from January 1999 to December 2002 for the purpose of VAT filings. At the Group's request, TTA has rechecked the assessment but reached the same conclusion in May 2006. The case is currently handled by the High Court and the court hearing is still in progress as at 30 June 2007.

Having taken relevant professional advice, the directors made a provision for the additional VAT in the 2005 financial statements but no provision has been made for the penalties. Based on the current available information, the directors are still confident that the Group has reasonable grounds to refute the penalties and considers that no further provision is required at 31 March 2007.

33 PLEDGE OF ASSETS

At 31 March 2007, a bank loan of $638,000 (2006: $615,000) was secured by pledge of certain land and buildings with a carrying value of $1,138,000 (2006: $1,122,000).

(Expressed in United States dollars unless otherwise indicated)

34 PARTICULARS OF SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results or assets of the Group. The class of shares held is ordinary shares unless otherwise stated.

All of these subsidiaries have been consolidated into the consolidated financial statements.

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by a subsidiary	Principal activities
Hang Ten (BVI)	British Virgin Islands ("BVI")	$103,821	100%	100%	–	Investment holding
ILC	BVI	$639,830	100%	–	100%	Investment holding
Hang Ten Enterprises Limited	BVI	$50,000	100%	–	100%	Investment holding and wholesale of apparels
Yangtze Apparel Taiwan Enterprise Limited	Taiwan	NT$ 100,000,000	100%	–	100%	Retail and wholesale of apparels
Hang Ten (Phils) Holdings Corporation	BVI	$50,000	100%	–	100%	Investment holding
Hang Ten Phils., Corp	Philippines	PHP50,000,000	55%	–	55%	Retail and wholesale of apparels
Hang Ten Enterprises (Pte) Ltd.	Singapore	SGD1,000,000	100%	–	100%	Retail and wholesale of apparels
Hang Ten Korea Corp.	Korea	KRW 3,000,000,000	100%	–	100%	Retail and wholesale of apparels
Hang Ten Enterprises (M) Sdn Bhd	Malaysia	RM500,000	100%	–	100%	Retail and wholesale of apparels

(Expressed in United States dollars unless otherwise indicated)

34 PARTICULARS OF SUBSIDIARIES *(continued)*

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by a subsidiary	Principal activities
Precise Delta Limited	Hong Kong	HK$1	100%	–	100%	Investment holding
HTEL (Macau) Limited	Macau	MOP25,000	100%	–	100%	Retail and wholesale of apparels
HTEL (Hong Kong) Limited	Hong Kong	HK$2,000,000	100%	–	100%	Retail and wholesale of apparels
ILC Trademark Corporation	BVI	$50,000	100%	–	100%	Trademark ownership and licensing
ILC (Cyprus) Limited	Cyprus	Cypriot pounds 1,000	100%	–	100%	Investment holding
ILC (Hungary) Limited	Hungary	$6,400	100%	–	100%	Trademark licensing
HTIL Holdings Corporation N.V.	Netherlands Antilles	$6,000	100%	–	100%	Investment holding
HTIL Corporation, B.V.	The Netherlands	NLG40,000	100%	–	100%	Trademark licensing
International Licensing (California) Corp	United States of America	$10,000	100%	–	100%	Trademark licensing and management
Hang Ten Retail USA, Inc. *(Note)*	United States of America	$16,102	79.91%	–	79.91%	In members' liquidation

Note: On 15 December 2005, the directors resolved to terminate the operations of Hang Ten Retail USA, Inc. which subsequently commenced members' voluntary liquidation. The liquidation is still in the progress as at 31 March 2007. A loss on liquidation of the subsidiary of $1,683,000 was charged to the consolidated income statement for the year ended 31 March 2006.

35 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material transactions with related parties.

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2007	2006
	$'000	*$'000*
Short-term employee benefits	**1,935**	2,014
Post-employment benefits	**13**	21
	1,948	2,035

Total remuneration is included in "staff costs" (see note 5(b)).

(b) (i) Transactions with Michel Rene Enterprises Limited, a subsidiary of YGM Trading Limited, a substantial shareholder of the Company

	2007	2006
	$'000	*$'000*
Rental income from leasing of retail stores and equipment	**–**	22
Rental expenses for leasing of retail stores	**16**	95
Service fee income in respect of maintenance services for retail stores	**19**	61

(ii) Amount due from Michel Rene Enterprises Limited

	2007	2006
	$'000	*$'000*
Amount due from Michel Rene Enterprises Limited	**40**	51

Details of the terms are set out in note 25.

35 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(c) (i) Transactions with shareholders of the Company

	2007	2006
	$'000	*$'000*
Executive remuneration paid to Mr Dennis Kung	**484**	530
Executive remuneration paid to Mr Kenneth Hung	**727**	796
Interest on loans from shareholders	**985**	985

(ii) Balances with shareholders

	2007	2006
	$'000	*$'000*
Amounts due to shareholders	**813**	955
Loans from shareholders	**16,400**	16,400
Accrued interest on loans from shareholders *(note 22)*	**985**	985

Details of the terms are set out in notes 5(a), 25 and 27.

(d) (i) Transactions with Hang Ten (China) Group Limited, a company wholly owned by the substantial shareholders of the Company

	2007	2006
	$'000	*$'000*
Royalty income and advertising contributions	**182**	190

(ii) Balance with Hang Ten (China) Group Limited

	2007	2006
	$'000	*$'000*
Amount due from Hang Ten (China) Group Limited	**107**	53

Details of the terms are set out in note 25.

35 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(e) (i) Transactions with minority shareholders of non-wholly owned subsidiaries of the Company and their associates

	2007	2006
	$'000	*$'000*
Sales of goods to Global Inc.	**–**	571
Sales of goods to Chua and company	**1,410**	1,058
Royalty income from Avon Dale Garments, Inc.	**28**	71

(ii) Balances with the minority shareholders and their associates

	2007	2006
	$'000	*$'000*
Amount due from Global Inc.	**–**	47
Amount due from Avon Dale Garments, Inc.	**37**	19

Details of the terms are set out in note 25.

36 SEGMENT REPORTING

Segment information is presented in respect of the Group's geographical and business segments. Information related to geographical segments based on the location of customers is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

Geographical segments by the location of customers and by the location of assets

The Group's business is managed on a worldwide basis, but operations are conducted in two principal economic environments. Taiwan and Korea are the major markets for the Group's business.

When presenting information on the basis of geographical segments, segment information is based on the geographical location of customers unless otherwise stated. Segment assets and capital expenditure are not further analysed by the geographical locations of the assets, as the Group's assets are located in the same geographical areas as its customers.

36 SEGMENT REPORTING *(continued)*

(i) An analysis of the Group's revenue and results by geographical segments is as follows:

	2007								
	Taiwan	Korea	Philippines	Singapore	Hong Kong	Malaysia	Inter-segment elimination	Unallocated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	108,711	113,826	5,353	16,858	4,213	2,972	-	5,683	257,616
Inter-segment revenue	6,642	245	-	74	96	-	(7,139)	82	-
Total revenue	115,353	114,071	5,353	16,932	4,309	2,972	(7,139)	5,765	257,616
Segment result	9,276	11,579	(109)	(1,583)	(1,672)	(109)	(19)		17,363
Unallocated operating income and expenses									2,651
Profit from operations									20,014
Finance costs									(1,021)
Income tax									(5,073)
Profit after taxation									13,920
Depreciation and amortisation for the year	1,597	1,362	218	513	320	184		100	4,294
Impairment losses on trade and other receivables	-	29	-	-	-	-		1,408#	1,437
Write-down of inventories	1,185	1,847	5	62	24	1		-	3,124

The amount mainly represents impairment losses on royalty receivables from licensing operations.

36 SEGMENT REPORTING *(continued)*

(i) *An analysis of the Group's revenue and results by geographical segments is as follows: (continued)*

	2006								
	Taiwan	Korea	Philippines	Singapore	Hong Kong	Malaysia	Inter-segment elimination	Unallocated	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Revenue from external customers	126,285	81,750	5,390	16,285	3,391	2,485	–	7,507	243,093
Inter-segment revenue	9,720	496	–	–	–	–	(10,232)	16	–
Total revenue	136,005	82,246	5,390	16,285	3,391	2,485	(10,232)	7,523	243,093
Segment result	12,419	9,825	90	(315)	(1,142)	1	(16)		20,862
Unallocated operating income and expenses									(1,941)
Profit from operations									18,921
Finance costs									(1,127)
Income tax									(4,171)
Profit after taxation									13,623
Depreciation and amortisation for the year	1,731	773	209	513	243	166		305	3,940
Impairment losses on trade and other receivables	–	–	–	–	–	–		546	546
Write-down/(write-back) of inventories	886	664	(1)	3	–	5		–	1,557

36 SEGMENT REPORTING *(continued)*

(ii) *An analysis of the Group's assets and liabilities by geographical segments is as follows:*

	Taiwan	Korea	Philippines	Singapore	Hong Kong	Malaysia	Inter-segment elimination	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 March 2007								
Segment assets	**98,024**	**36,378**	**2,367**	**5,744**	**1,592**	**1,139**	**(51,071)**	**94,173**
Unallocated assets								**33,727**
Total assets								**127,900**
Segment liabilities	**31,678**	**9,490**	**2,441**	**7,817**	**4,009**	**1,335**	**(28,568)**	**28,202**
Unallocated liabilities								**26,528**
Total liabilities								**54,730**
Capital expenditure incurred during the year	**1,406**	**3,227**	**216**	**468**	**65**	**89**		**5,471**
Unallocated capital expenditure								**14**
								5,485
At 31 March 2006								
Segment assets	92,859	32,290	2,107	4,820	1,615	955	(45,674)	88,972
Unallocated assets								33,603
Total assets								122,575
Segment liabilities	24,522	10,448	1,340	5,201	2,518	1,056	(19,322)	25,763
Unallocated liabilities								29,001
Total liabilities								54,764
Capital expenditure incurred during the year	1,618	1,768	249	704	759	121		5,219
Unallocated capital expenditure								4,114
								9,333

36 SEGMENT REPORTING *(continued)*

(iii) Business segments

The Group comprises the following main business segments:

(i) Sales of apparels – Retails and wholesale of branded apparels and accessories

(ii) Royalty income – Licensing "Hang Ten" brand to worldwide licensees

	2007	2006
	$'000	$'000
Revenue from external customers:		
– Sales of apparels	**253,706**	238,948
– Royalty income	**3,910**	4,145
	257,616	243,093
Segment assets:		
– Sales of apparels	**89,246**	92,769
– Royalty income	**2,618**	1,212
– Unallocated (including trademarks)	**36,036**	28,594
	127,900	122,575
Capital expenditure incurred during the year:		
– Sales of apparels	**5,485**	9,333
– Royalty income	**–**	–
	5,485	9,333

37 ACCOUNTING ESTIMATES AND JUDGEMENTS

(i) Goodwill and trademarks

Notes 13 and 15 contain information about the assumptions relating to the impairment test on goodwill and trademarks. In addition, note 15 contains information relating to the assessment of the indefinite life of the acquired trademarks.

(ii) Income tax provisions

The Group is subject to income taxes in numerous jurisdictions. Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations in the respective jurisdictions.

37 ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(iii) Write-down of inventories

Inventories are reviewed periodically to assess whether any write-down or reversal of write-down is required. The estimate is based on historical experience relating to the sales performance subsequent to respective seasons. Uncertainty exists in these estimates and the policy is reviewed regularly and adjusted if necessary.

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

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

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 financial statements:

		Effective for accounting periods beginning on or after
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

(Expressed in United States dollars)

	Year ended 31 March 2003 $'000	Year ended 31 March 2004 $'000	Year ended 31 March 2005 $'000	Year ended 31 March 2006 $'000	**Year ended 31 March 2007 $'000**
Consolidated results					
Turnover	174,390	183,747	212,955	243,093	**257,616**
Profit before taxation	11,960	13,708	20,617	17,794	**18,993**
Income tax	(1,206)	(1,862)	(4,564)	(4,171)	**(5,073)**
Profit for the year	10,754	11,846	16,053	13,623	**13,920**
Attributable to:					
Equity shareholders of the Company	9,765	11,240	16,040	13,003	**13,952**
Minority interests	989	606	13	620	**(32)**
Profit for the year	10,754	11,846	16,053	13,623	**13,920**
Consolidated assets and liabilities					
Property, plant and equipment	5,754	6,657	7,756	8,838	**9,725**
Goodwill	9,495	8,461	8,989	8,989	**8,989**
Intangible assets	18,287	17,312	17,523	17,523	**17,711**
Other assets	460	1,124	1,318	2,455	**3,843**
Net current assets	15,789	26,718	50,167	54,899	**56,654**
Non-current liabilities	(17,900)	(16,920)	(26,782)	(24,893)	**(23,752)**
Net assets	31,885	43,352	58,971	67,811	**73,170**
Capital and reserves					
Share capital	12,497	12,593	12,593	12,593	**12,593**
Reserves	16,419	29,271	44,461	52,538	**59,759**
Total equity attributable to equity shareholders of the Company	28,916	41,864	57,054	65,131	**72,352**
Minority interests	2,969	1,488	1,917	2,680	**818**
Total equity	31,885	43,352	58,971	67,811	**73,170**

(Expressed in United States dollars)

	Year ended 31 March 2003 *$'000*	Year ended 31 March 2004 *$'000*	Year ended 31 March 2005 *$'000*	Year ended 31 March 2006 *$'000*	**Year ended 31 March 2007** ***$'000***
Earnings per share					
Basic *	4.31 cents	3.36 cents	2.17 cents	1.52 cents	**1.42 cents**
Diluted *	1.03 cents	1.12 cents	1.63 cents	1.32 cents	**1.42 cents**
Dividends	1,068	3,348	5,035	6,350	**6,333**

* Adjusted to reflect the consolidation of ordinary shares on 12 November 2004.