HANG TEN

Hang Ten Group Holdings Limited

(Incorporated in Bermuda with Limited Liability)

stock code : 448

2009 Annual Report

EXECUTIVE DIRECTORS

Chan Wing Sun
Kenneth Hung
Kao Yu Chu
Wang Li Wen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheung Yat Hung Alton
Kwong Chi Keung *J.P.*
So Hon Cheung Stephen

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PRINCIPAL PLACE OF BUSINESS IN TAIWAN

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Taiwan

COMPANY SECRETARY

Lee Kin Keung Lawrence

AUDITORS

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Certified Public Accountants
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PRINCIPAL SHARE REGISTRAR

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Hamilton HM11
Bermuda

BRANCH SHARE REGISTRAR

Tricor Standard Limited
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Tesbury Centre
28 Queen's Road East
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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

CORPORATE WEBSITE

www.hangten.com.hk

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Dear Shareholders,

On behalf of the board of directors, I am pleased to present the annual report and results of the Group for the year ended 31 March 2009.

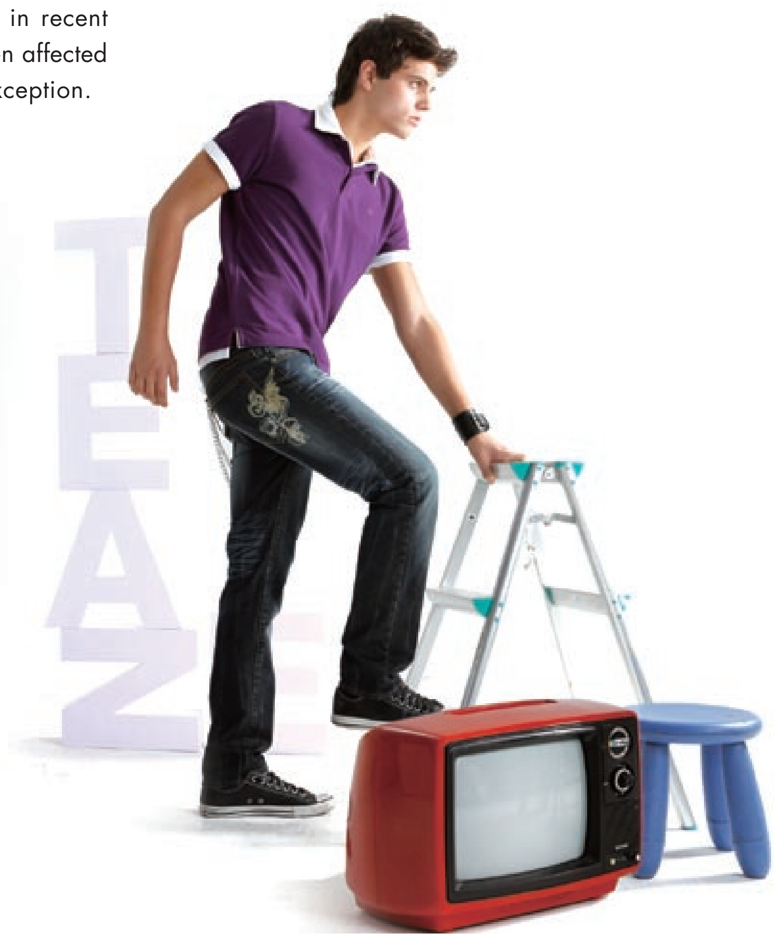
OPERATING RESULTS

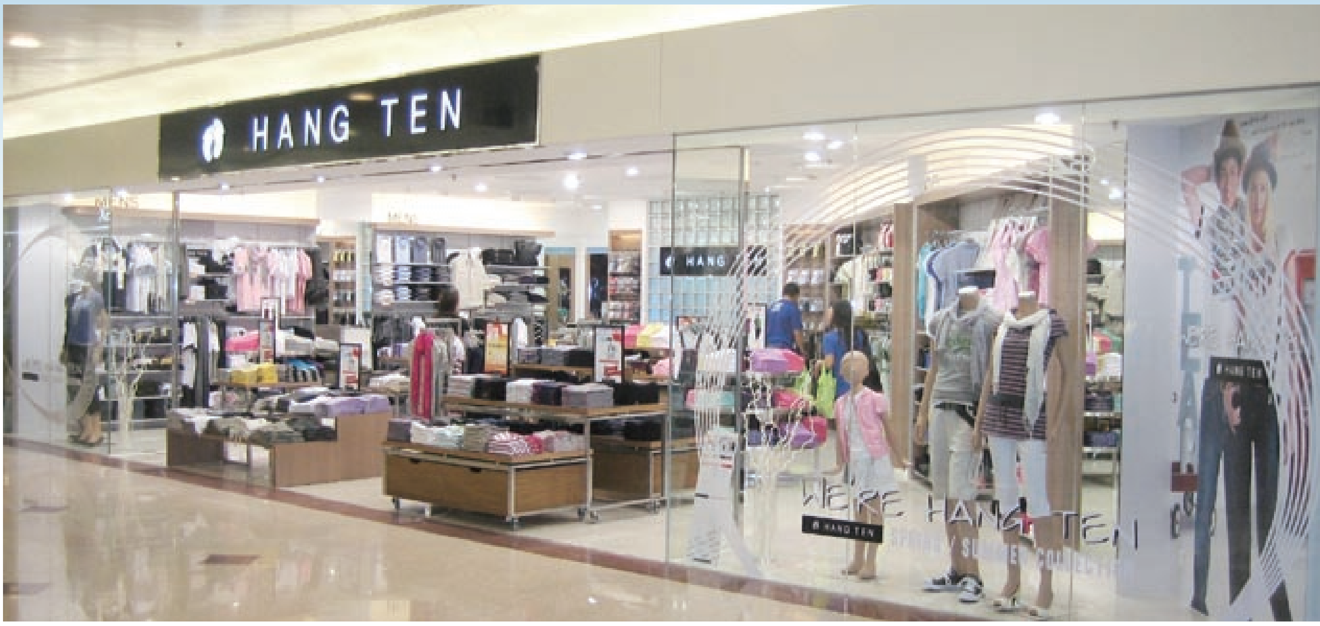
The Group operates an extensive retail network in Asia with about 770 retail stores under the brands "Hang Ten", "H&T" and "Arnold Palmer". The "Arnold Palmer" brand is operated by the Group under license. Most of the Group's revenue is generated from its retail operation. The Group also distributes "Hang Ten" products through its distributors in various territories. In addition, the Group grants licences to international licensees the right to design, manufacture and sell products bearing the trademarks owned by the Group in designated territories.

The past year had been a challenging and difficult year as the world had encountered one of the worst economic crises in recent time. Almost every country had been affected by the financial turmoil without exception.

During the year under review, the Group's operation had been affected by the global economic downturn, in particularly the depreciation of the South Korean currency against the United States dollars which had depreciated by as much as 45% during the year since the beginning of the fiscal year. The currency depreciation caused a tremendous increase in the cost of imported merchandises in South Korea and led to a reduction in gross profit and exchange loss. Turnover of the Group for the year ended 31 March 2009 amounted to US$258,933,000 (equivalent to approximately HK$2,008,025,000), (2008: US$274,294,000, equivalent to approximately HK$2,127,150,000), representing a decrease of 5.6%. Profit attributable to equity shareholders amounted to US$10,696,000 (equivalent to approximately HK$82,947,000) (2008: US$21,563,000, equivalent to approximately to HK$167,220,000).

Because of the economic downturn, the Group had taken a prudent network expansion strategy. Instead of expanding its retail network, it had focused on improving overall store efficiency by closing down or relocating unprofitable stores. It had also taken measures to minimise operating costs.





During the year under review, the Group acquired certain properties in Taiwan and South Korea amounting to about US$16,168,000 which are used as office and investment properties.

During the year, the Group entered into a sale and purchase agreement to sell the interest in the trademark of "Hang Ten" in the territories of United States of America and Canada to a third party for a consideration of US$10,400,000 (with 15% of which being paid as commission to a third party). The transaction has been completed subsequent to 31 March 2009 and a gain of approximately US$6,161,000 will be recognised during the year ending 31 March 2010.

DIVIDEND

The board of directors proposed a final dividend of Hong Kong 4.0 cents (equivalent to approximately United States 0.52 cent) per ordinary share for the year ended 31 March 2009. The proposed final dividend is subject to the approval by the shareholders in the forthcoming annual general meeting.

FUTURE PLANS AND PROSPECT

While the financial market appears to be more stable recently, it is uncertain when the economy will begin to recover. The Group will continue to adopt a prudent store expansion strategy until the economic outlook becomes more certain. In the meantime, it will continue to strengthen its product design and product lines in order to expand its customer base and will continue to control its operating costs.

As a long-established and leading retailer in the marketplace, the Taiwan market will still be one of the Group's principal revenue and profit contributors. While "Hang Ten" will remain the Group's core brand in Taiwan, the directors believe that contributions from the "Arnold Palmer" brand will continue to increase. The "Arnold Palmer" brand targets a different segment of customers who look for more up-market casual wear clothing. The Group believes that it has established a solid customer base for this product line. In view of the satisfactory market acceptance and a higher profit margin of this product line, the Group will continue to expand the "Arnold Palmer" network to further increase its contribution to the Group.

The South Korean market had been affected by the significant depreciation in the local South Korean currency following the global financial turmoil. The local currency has been stabilised recently and if this continues, it is expected that the South Korean operation will return to normal. The Group is taking appropriate measure to control its operating costs and enhance its sourcing capabilities to improve its profit margin. The directors believe that South Korea will continue to be one of the Group's major markets.

The operation of the Group in Singapore and Malaysia has shown significant improvements. The Group will continue to take measures to improve sales in this market by further enhancing its merchandise and undertake appropriate promotion strategies. The Group will continue to rationalise its network there by closing down and relocating non-profitable stores.

The Hong Kong and Macau market has shown steady growth in sales. With the Group's stores strategically located at areas where there is a high concentration of the Group's targeted customers, the directors believe that a strong presence has been established in this market and contribution from this market will continue to improve.

The Group's operation in Mainland China is relatively small in terms of the potential of the market. The Group has established good brand recognition and awareness in the market and this will provide a base for further expansion in this market in future. The Group will gradually expand its network in this market.

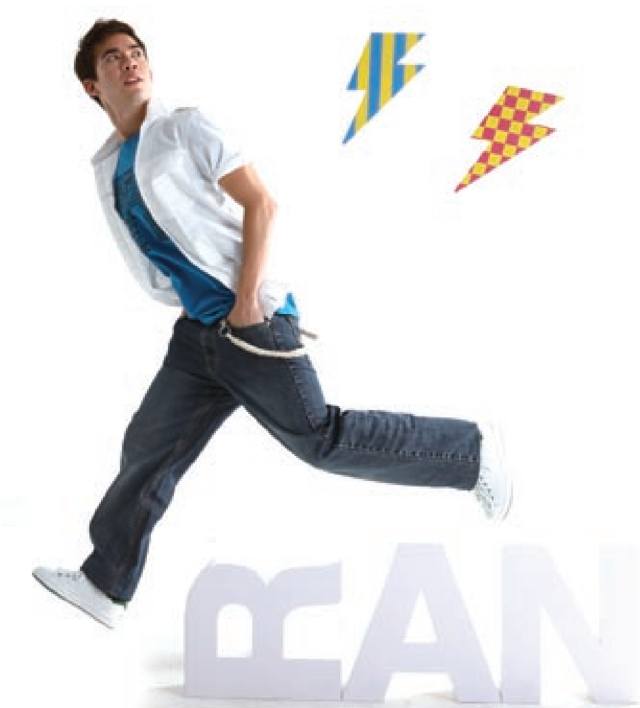
The licensing operation is expected to continue to provide a steady revenue stream to the Group from its existing licensees. In order to strengthen the global recognition of the "Hang Ten" brand and to increase its licensing revenue, the Group will continue to explore new licensing opportunities to expand its international network of licensees.

APPRECIATION

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

Chan Wing Sun
Chairman

9 July 2009



BUSINESS AND OPERATIONAL REVIEW

Operation Overview

The Group is engaged in the operation of a retail network comprising of principally three brands of casual wear apparel, namely "Hang Ten", "H&T" and "Arnold Palmer" and distribution of apparel of the three brands.

During the year under review, the general economic environment had deteriorated because of the global financial turmoil. The major markets of the Group had been affected by the economic downturn and consumer confidence was weak. The value of the local currencies of some of the markets where the Group operated had depreciated relative to the United States dollars, especially the South Korean currency which had weakened significantly and had depreciated by over 25% as compared to exchange rate prevailing during the previous year. During certain period of the year, the South Korean currency had depreciated by as much as 45% against the United States Dollars since the beginning of the fiscal year. The weakened local currencies and the economic crisis had impacted the Group's operation during the year.

Turnover of the Group for the year ended 31 March 2009 decreased by 5.6% and amounted to US$258,933,000 (2008: US$274,294,000). Because the South Korean local currency had weakened significantly, cost of merchandise of the South Korean operation increased. The increase in cost of merchandising due to currency depreciation and more frequent promotional campaigns undertaken by the Group during the weak economic environment had caused a decrease in the gross margin ratio to 54.8% (2008: 57.7%). Gross profit for the year amounted to US$141,968,000 (2008: US$158,155,000). The Group had undertaken measures to control and reduce the operating costs of the Group. However, due to the drop in the gross margin and exchange loss arising from currency depreciation, operating profit for the year decreased to US$14,522,000 (2008: US$28,420,000). Net profit attributable to equity shareholders for the year amounted to US$10,696,000 (2008: US$21,563,000).

The Group had undertaken measures to control the operating costs of the Group. Selling expenses for the year ended 31 March 2009 amounted to US$109,993,000 (2008: US$115,558,000). Administrative expenses amounted to US$17,864,000 (2008: US$19,724,000) and other operating expenses amounted to US$647,000 (2008: US$190,000).

Apparel Sales

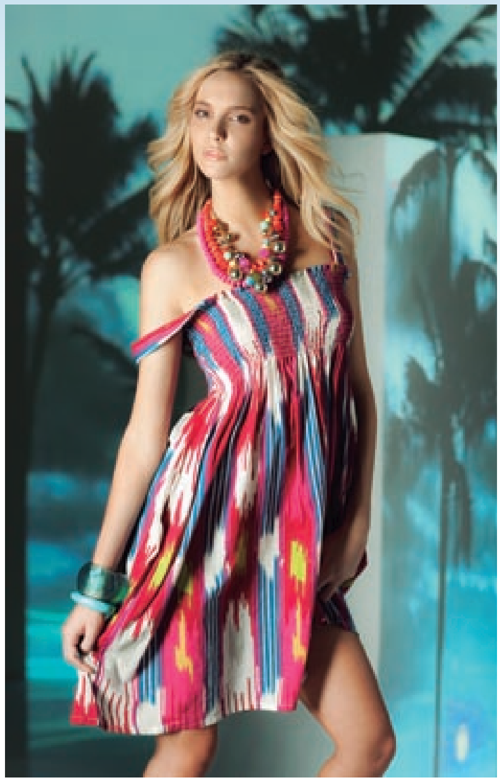
About 98.7% (2008: 98.6%) of the Group's turnover was contributed from sales of apparel. For the year ended 31 March 2009, sales generated from retail and distribution of apparel amounted to US$255,676,000 (2008: US$270,590,000) of which retail sales revenue amounted to US$244,972,000 (2008: US$262,237,000) and sales generated from distribution activity amounted to US$10,704,000 (2008: US$8,353,000). The remaining 1.3% (2008: 1.4%) of the turnover was generated from the Group's trademark licensing activities.

The Group has three major brands of casual wear apparel products offering a diversified range of merchandise to our customers. The merchandise under the "Hang Ten" brand targets customers looking for good quality clothing at a reasonable price. The more youthful and fashionable "H&T" brand offers trendy clothing aiming at the youth and teenager market. The "Arnold Palmer" brand, which the Group operates under a license, provides a selection of products targeting customers looking for more up-market products. While a substantial portion of the Group's sales was still generated from the Group's core brand "Hang Ten", sales from the other two brands has continued to grow and the sales revenue generated from these two brands contributed to about 13% of the Group's total sales of apparel.

Because of the financial turmoil and unfavourable economic environment, the Group has adopted a more prudent store expansion strategy during the year. Instead of store expansion, the Group has focused on consolidation of the existing retail network by closing or relocating unprofitable stores. At as 31 March 2009, the Group had 770 stores (2008: 763 stores) with a shop floor area of about 645,000 square feet (2008: 634,600 square feet).

Taiwan

Taiwan contributed about 44.8% (2008: 41.9%) of the total turnover of the Group. Total sales in the Taiwan market for the year ended 31 March 2009 amounted to US$115,911,000 (2008: US$114,909,000), of which retail sales amounted to US$105,207,000 (2008: US$106,556,000) and sales generated from distributing activity amounted to



US$10,704,000 (2008: US$8,353,000). The general economic environment in Taiwan remained sluggish due to the financial turmoil and general consumer sentiments and purchasing power remained weak during the year. However, the Group managed to maintain the sales level.

During the year, the Group closed down and relocated some of its less profitable shops and opened a few more "Arnold Palmer" shops. Contribution from the "Arnold Palmer" brand increased significantly with sales generated from this brand increased by 1.6 times. The Group had a total retail floor area of approximately 304,000 square feet (2008: 295,000 square feet) comprising 262 retail shops (2008: 252 stores) as at 31 March 2009, of which 39 (2008: 24) were "Arnold Palmer" shops.

The weak consumer sentiment had put pressure on the margin on the Group's products as the Group had to undertake more frequent promotional campaigns. As a result, operating profit attributed to the Taiwan market decreased to US$10,514,000 (2008: US$14,200,000).

South Korea

South Korea has been severely affected by the worldwide financial turmoil. Consumer spending was low and the South Korean currency had depreciated by about 25% relative to the United States dollars during the year. As a result, even though sales in terms of South Korean currency showed a slight increase, sales for the year decreased by about 22% after translation into United States dollars. Sales for the year amounted to US$96,353,000 (2008: US$123,961,000), representing 37.2% (2008: 45.2%) of the Group's total turnover. The weakened South Korean currency had also resulted in higher cost for imported merchandise and reduced the margin of the Group's products. As a result, operating profit of this operation decreased to US$4,322,000 (2008: US$12,574,000).

During the year, the Group focused on consolidating the Group's operation and retail network. The more trendy and fashionable "H&T" brand had established a strong customer base. As at 31 March 2009, the Group had 311 stores (2008: 306 stores) in South Korea including 67 (2008: 72) H&T stores, with total retail floor area of approximately 190,000 square feet (2008: 189,000 square feet).

Philippines

The Philippines market had also been affected by the financial turmoil and a weak local currency. Philippines contributed to about 2.1% (2008: 2.2%) of the Group's turnover. Sales for the year ended 31 March 2009 amounted to US$5,316,000 (2008: US$6,036,000). The Group recorded an operating loss of US$603,000 (2008: operating profit of US$78,000) in this

market. The Group had 48 retail stores (2008: 50 stores) in the Philippines as at 31 March 2009 with total retail floor area of approximately 36,000 square feet (2008: 37,000 square feet).

Singapore and Malaysia

The Group had improved the merchandise for the Singapore and Malaysia market and closed down some of its non-profitable stores. Sales for the year increased by 12.3% to US$18,526,000 (2008: US$16,502,000), representing about 7.2% (2008: 6.0%) of the total turnover of the Group. The operation sustained an operating loss for the year ended 31 March 2009 amounted to US$1,835,000 (2008: US$2,108,000). The Group had 43 retail stores (2008: 48 stores) as at 31 March 2009 with total retail floor area of approximately 36,000 square feet (2008: 42,700 square feet).

Hong Kong and Macau

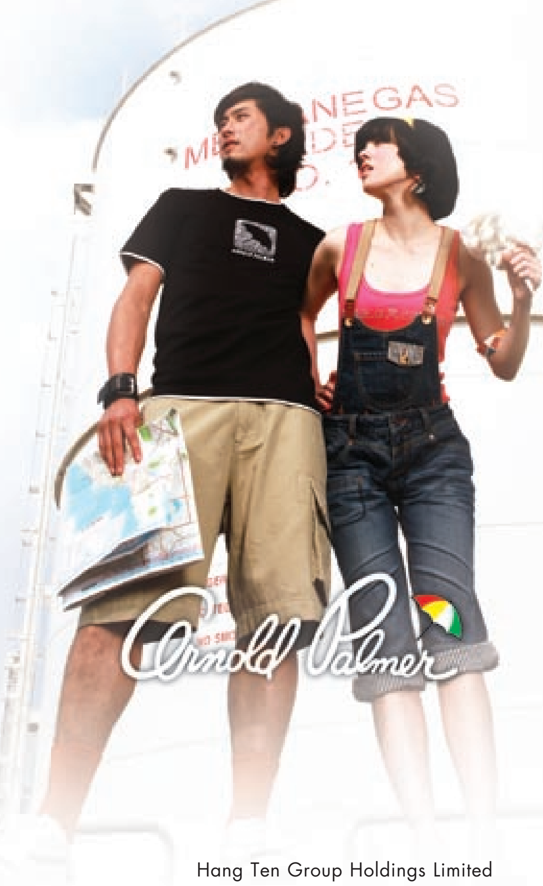
Competition remained keen and operating costs remained at a high level in this market. Nevertheless, there have been improvements in sales and operating efficiency in this market. Sales for the year increased by 14.1% to US$6,679,000 (2008: US$5,855,000) and operating loss reduced significantly to US$219,000 (2008: US$855,000). As at 31 March 2009, the Group had 11 stores (2008: 9 stores) in this market, with a shop floor area of about 10,200 square feet (2008: 8,900 square feet).

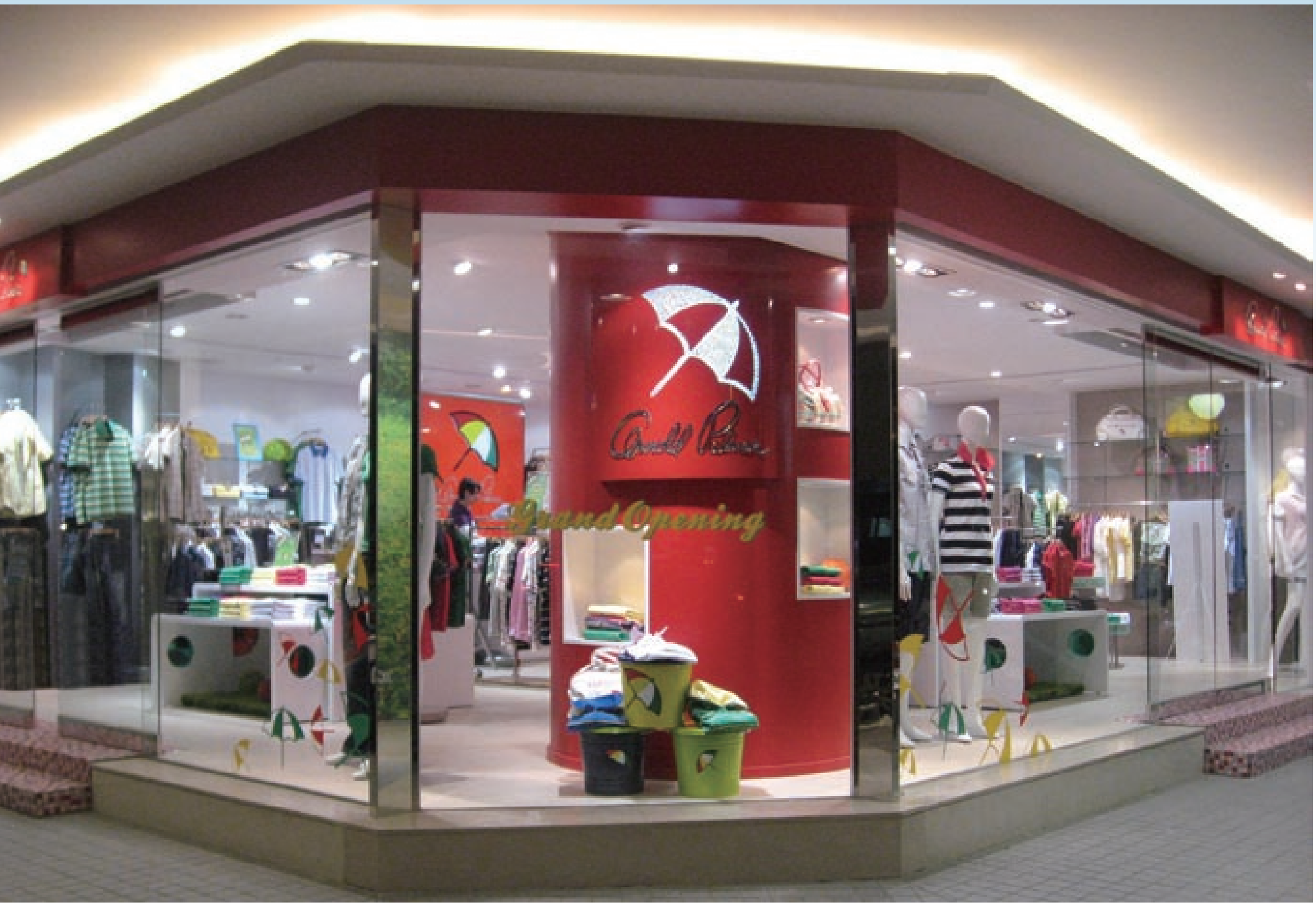
Mainland China

Since acquiring the retail operation in Mainland China of the Group's former licensee last year, the Group had gradually expanded the retail network. However, the Group had slowed down its expansion because of the unfavourable general economic environment as a result of the global financial turmoil. The Group had 95 stores (2008: 98 stores) as at 31 March 2009 with a total shop floor area of about 69,000 square feet (2008: 62,000 square feet). Sales generated from this market amounted to US$12,891,000 and sustained an operating loss of US$1,111,000.

Licensing Operation

Through the licensing of the proprietary trademarks owned by the Group, the licensing operation continued to provide a steady royalty revenue stream to the Group. The Group has granted to third party licensees the right in specified territories to manufacture and sell or distribute products bearing the proprietary marks such as "Hang Ten" owned by the Group. In return, the Group receives licensing fees or royalties from those licensees. For the year ended 31 March 2009, revenue generated from the licensing operation amounted to US$3,257,000 (2008: US$3,704,000) and represented about 1.3% (2008: 1.4%) of the Group's total turnover.





CAPITAL STRUCTURE

As at 31 March 2009, 982,250,000 ordinary shares were in issue. Total equity amounted to US$76,957,000 (2008: US$88,501,000) as at 31 March 2009. The Company had not issued any new shares during the year.

LIQUIDITY AND FINANCIAL RESOURCES

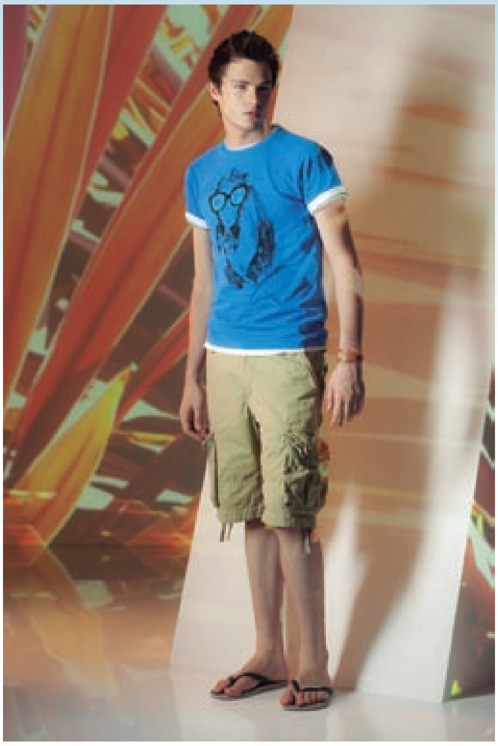
The Group generally financed its operation by internally generated cash flow and banking facilities provided by its banks.

For the year ended 31 March 2009, the Group generated US$22,645,000 (2008: US$27,151,000) of cash from operations. As at 31 March 2009, the Group had cash and bank balances amounting to US$17,021,000 (2008: US$23,767,000) and listed funds, which were readily convertible into cash, amounted to US$8,028,000 (2008: US$16,452,000).

As at 31 March 2009, the Group had financial facilities provided by banks amounting to approximately US$23,715,000, of which US$4,146,000 had been utilized. Certain of the banking facilities were secured by the pledge of certain land and buildings and an investment property with carrying values of US$3,254,000 and US$865,000 respectively. Total indebtedness as at 31 March 2009, comprising bank loans of US$4,146,000 (2008: US$2,741,000), loans from shareholders of US$16,400,000 (2008: US$16,400,000) and loan from a minority shareholder of a subsidiary of

US$393,000 (2008: US$ nil) amounted to US$20,939,000 (2008: US$19,141,000) and represented 15.3% (2008: 12.6%) 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 to value-added tax penalty in Taiwan. Having taken relevant professional advices, no provision has been made for those contingent liabilities.

HUMAN RESOURCES

As at 31 March 2009, the Group had approximately 2,100 full time employees. About 1,800 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. There was no option outstanding as at 31 March 2009.

EXECUTIVE DIRECTORS

Chan Wing Sun, aged 61, 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 and a director of Yangtzekiang Garment Manufacturing Company Limited, both of which 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 42, 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 16 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 52, 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 27 years of experience in the apparel retailing industry. She joined the Group in 1993.

Wang Li Wen, aged 56, joined the Group in 1994. 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. She graduated from Tam Kang University in Taiwan with a bachelor degree in economics and has over 27 years of experience in the apparel retailing industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheung Yat Hung Alton, aged 46, graduated from the California College of Arts and Crafts, Berkeley with a bachelor degree in fine arts. Mr. Cheung has over 12 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 Neptune Group Limited, a company listed on The Stock Exchange of Hong Kong Limited.

Kwong Chi Keung J.P (Justice of the Peace), aged 55, 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 Arbitrations (London) and Hong Kong Institute of Arbitrators, a Chartered Arbitrator, and a Notary Public. Mr. Kwong was also a former Deputy Chairman of the Copyright Tribunal of the Hong Kong Special Administrative Region.

So Hon Cheung Stephen, aged 53, is a director of the accounting firm T.M. Ho, So & Leung 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 15 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. Mr. So is an independent non-executive director of Pine Technology Holdings Limited and Skyworth Digital Holdings Limited, both of which are listed on The Stock Exchange of Hong Kong Limited. He was also the past Finance Director of Jetion Holdings Limited, a company listed on the AIM of the London Stock Exchange.

SENIOR MANAGEMENT

Kung Ging Kong Dennis, aged 67, 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 41, 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.

Jeffrey Chen, aged 57, is the chief executive officer of the Group's operation in Mainland China. Mr. Chen has over 32 years of experience in the garment retail industry in the Greater China region and South Eastern Asia. He joined the Group in 2007.

Chuang Yu Sheng, aged 37, is the chief operation officer of the Group's operation in Mainland China. He graduated from the National Taiwan University with a bachelor degree in Arts. Mr. Chuang joined the Group in 2007 and has over 12 years of experience in the garment industry and trading and distribution industry in Mainland China and Taiwan.

Gilbert Ng, aged 55, is the chief executive officer of the Group's operation in Southeast Asia. He graduated from the Minnesota State University with a bachelor degree in Computer Science and Mathematics. He has over 25 years of experience in various management position for various international companies in Hong Kong and overseas. Mr. Ng joined the Group in 2009.

Lee Kin Keung Lawrence, aged 49, 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 20 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.

No nomination of new director has been considered by the board of directors during the year.

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 meetings held**	**Number of meetings 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 AUDITOR'S 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 page 23.

AUDITORS' REMUNERATION

During the year, the remuneration payable or paid to the Group's auditors KPMG amounted to US$296,000 of which US$247,000 was in relation to statutory audit work of the Group and US$49,000 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 2009.

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. During the year, a review of the Group's internal control system has been conducted to ensure the effectiveness and adequacy of the internal control system.

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.

COMMUNICATION WITH SHAREHOLDERS

The Board endeavours to maintain an on-going dialogue with the Company's shareholders. All directors are encouraged to attend the general meetings to have personal communication with the shareholders. In annual general meeting, the Chairman of the Board is required to attend and answer questions from the shareholders in respect of the matters the Board is responsible and accountable for.

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 2009.

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 36 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 25.

The directors recommend the payment to the ordinary shareholders whose names appear on the register of members of the Company on 9 September 2009 of a final dividend at Hong Kong cent 4.0 per share (2008: Hong Kong cent 6.0 per share), equivalent to approximately United States cent 0.52 per share (2008: United States cent 0.77 per share), amounting to a total amount of approximately HK$39,290,000 (equivalent to approximately US$5,066,000) (2008: HK$58,935,000 (equivalent to approximately US$7,600,000)). No special dividend was recommended for the year ended 31 March 2009 (2008: a special dividend at Hong Kong cent 1.0 per share (equivalent to approximately United States cent 0.13 per share)).

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 30 to the financial statements.

RESERVES

Profit for the year, before dividends, of US$10,313,000 (2008: US$21,586,000) have been transferred to reserves. Other movements in the reserves of the Group and of the Company are set out in note 30 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 103 to 104.

FIXED ASSETS

Details of movements in fixed assets 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. Kwong Chi Keung shall retire, and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

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 2009, 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. Chan Wing Sun	Personal	550,000	0.06%
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 2009.

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

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. All the options had been expired as at 31 March 2009.

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 2009, 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%

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 2009.

CONVERTIBLE SECURITIES, WARRANTS AND SIMILAR RIGHTS

The Company had no outstanding convertible securities, warrants and similar rights as at 31 March 2009 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

During the year, 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 2009, sales by HTEL to Hang Ten Phils, Corp amounted to about US$2,284,000.

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

   During the year ended 31 March 2009, HTEL sold apparel and accessories amounted to approximately US$692,000 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.

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 2009. 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 12.0% and 34.3% 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 2009 are set out in notes 21, 27 and 28 to the financial statements.

RETIREMENT SCHEME

The Group operates a defined benefit retirement scheme which covers about 24% 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 2009. 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 2009.

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
9 July 2009

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 25 to 102, which comprise the consolidated and Company balance sheets as at 31 March 2009, 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 this 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 Group and of the Company as at 31 March 2009 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
9 July 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009 *(Expressed in United States dollars)*

	Note	**2009** **$'000**	2008 $'000
Turnover	3	**258,933**	274,294
Cost of sales		**(116,965)**	(116,139)
Gross profit		**141,968**	158,155
Other revenue	4	**5,226**	4,027
Other net (loss)/income	4	**(4,168)**	1,710
Selling expenses		**(109,993)**	(115,558)
Administrative expenses		**(17,864)**	(19,724)
Other operating expenses		**(647)**	(190)
Profit from operations		**14,522**	28,420
Finance costs	5(a)	**(1,218)**	(1,035)
Profit before taxation	5	**13,304**	27,385
Income tax	6(a)	**(2,991)**	(5,799)
Profit for the year		**10,313**	21,586
Attributable to:			
Equity shareholders of the Company	9 & 30	**10,696**	21,563
Minority interests	30	**(383)**	23
Profit for the year	30	**10,313**	21,586
Dividends payable to equity shareholders of the Company attributable to the year:	10		
Final dividend proposed after the balance sheet date		**5,066**	7,600
Special dividend proposed after the balance sheet date		**–**	1,266
		5,066	8,866
Earnings per share	11		
Basic		**1.09 cents**	2.20 cents
Diluted		**1.09 cents**	2.20 cents

The notes on pages 32 to 102 form part of these financial statements.

At 31 March 2009 *(Expressed in United States dollars)*

	Note	2009 $'000	2008 $'000
Non-current assets			
Fixed assets	12		
– Investment properties		**6,800**	–
– Other property, plant and equipment		**15,989**	11,227
		22,789	11,227
Goodwill	13	**9,647**	9,495
Intangible assets	15	**17,981**	17,882
Deferred tax assets	26(b)	**3,585**	4,062
		54,002	42,666
Current assets			
Investments	16	**8,028**	16,452
Inventories	17	**32,819**	36,218
Trade and other receivables	18	**24,930**	33,297
Amounts due from related companies	25	**54**	64
Cash and cash equivalents	20	**17,021**	23,767
		82,852	109,798
Current liabilities			
Bank loans	21	**4,146**	2,741
Trade and other payables	22	**28,484**	30,527
Amounts due to shareholders	25	**658**	1,177
Current taxation	26(a)	**4,735**	6,869
		38,023	41,314
Net current assets		**44,829**	68,484
Total assets less current liabilities		**98,831**	111,150
Non-current liabilities			
Loans from shareholders	27	**16,400**	16,400
Loan from a minority shareholder	28	**393**	–
Deferred income	29	**4,720**	5,900
Employee benefits	23(a)	**361**	349
		21,874	22,649
NET ASSETS		**76,957**	88,501

At 31 March 2009 *(Expressed in United States dollars)*

	Note	2009 $'000	2008 $'000
CAPITAL AND RESERVES	*30(a)*		
Share capital		**12,593**	12,593
Reserves		**63,810**	74,938
Total equity attributable to equity shareholders of the Company		**76,403**	87,531
Minority interests		**554**	970
TOTAL EQUITY		**76,957**	88,501

Approved and authorised for issue by the Board of Directors on 9 July 2009

Chan Wing Sun	)	
	)	Directors
Kenneth Hung	)	

The notes on pages 32 to 102 form part of these financial statements.

BALANCE SHEET

At 31 March 2009 *(Expressed in United States dollars)*

	Note	**2009** **$'000**	2008 $'000
Non-current assets			
Investments in subsidiaries	*14*	**30,339**	30,339
Current assets			
Other receivables	*18*	**17**	17
Amount due from subsidiary	*19*	**5,600**	9,400
Cash and cash equivalents	*20*	**20**	13
		5,637	9,430
Current liabilities			
Other payables	*22*	**168**	141
Amount due to subsidiary	*19*	**1,456**	1,472
		1,624	1,613
Net current assets		**4,013**	7,817
NET ASSETS		**34,352**	38,156
CAPITAL AND RESERVES	*30(b)*		
Share capital		**12,593**	12,593
Reserves		**21,759**	25,563
TOTAL EQUITY		**34,352**	38,156

Approved and authorised for issue by the Board of Directors on 9 July 2009

Chan Wing Sun)
) Directors
Kenneth Hung)

The notes on pages 32 to 102 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009 *(Expressed in United States dollars)*

	Note	**2009**		2008	
	Note	***$'000***	***$'000***	*$'000*	*$'000*
Total equity at 1 April 2008/1 April 2007	*30(a)*		**88,501**		73,170
Net income and expense recognised directly in equity:					
Exchange differences on translation of financial statements of overseas subsidiaries	*30(a)*		**(12,991)**		860
Net income and expense for the year recognised directly in equity			**(12,991)**		860
Transfer from equity:					
Exchange reserve realised on capital reduction of subsidiary	*30(a)*		**-**		(782)
Net profit for the year	*30(a)*		**10,313**		21,586
Total recognised income and expense for the year			**(2,678)**		21,664
Attributable to:					
– Equity shareholders of the Company		**(2,262)**		21,512	
– Minority interests		**(416)**		152	
		(2,678)		21,664	
Dividends declared or approved during the year	*30(a)*		**(8,866)**		(6,333)
Total equity at 31 March 2009/ 31 March 2008	*30(a)*		**76,957**		88,501

The notes on pages 32 to 102 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009 *(Expressed in United States dollars)*

	Note	**2009** **$'000**	2008 $'000
Operating activities			
Profit before taxation		**13,304**	27,385
Adjustments for:			
– Interest income	*4*	**(658)**	(663)
– Net loss/(gain) on disposal of fixed assets	*4*	**734**	(136)
– Net realised and unrealised gains on listed funds	*4*	**(57)**	(185)
– Finance costs	*5(a)*	**1,218**	1,035
– Amortisation of intangible assets	*5(c)*	**59**	26
– Depreciation	*5(c)*	**5,198**	4,638
– Impairment loss on intangible assets	*5(c)*	**211**	–
– Exchange reserve realised on capital reduction of subsidiary	*30(a)*	**–**	782
– Foreign exchange gain		**(5,089)**	(2,503)
Operating profit before changes in working capital		**14,920**	30,379
Decrease/(increase) in inventories		**3,399**	(3,337)
Decrease/(increase) in trade and other receivables		**8,601**	(5,458)
Decrease in amounts due from related companies		**10**	120
(Decrease)/increase in trade and other payables		**(2,598)**	6,186
(Decrease)/increase in amounts due to shareholders		**(519)**	364
Decrease in non-current deferred income		**(1,180)**	(1,180)
Increase in employee benefits		**12**	77
Cash generated from operations		**22,645**	27,151
Tax paid		**(5,251)**	(4,366)
Net cash generated from operating activities		**17,394**	22,785
Investing activities			
Payment for the purchase of fixed assets		**(21,007)**	(6,927)
Proceeds from disposal of fixed assets		**2**	1,451
Refund of purchase of intangible assets		**–**	183
Payment for purchase of listed funds		**(12,902)**	(23,860)
Proceeds from disposal of listed funds		**19,621**	19,353
Payment for acquisition of subsidiary, net of cash acquired	*32*	**(221)**	(986)
Interest received		**658**	699
Net cash used in investing activities		**(13,849)**	(10,087)

For the year ended 31 March 2009 *(Expressed in United States dollars)*

	Note	**2009** **$'000**	2008 $'000
Financing activities			
Interest paid		**(1,218)**	(1,035)
Proceeds from new bank loans		**4,141**	2,136
Repayment of bank loans		**(1,974)**	–
Proceeds from loan from a minority shareholder		**393**	–
Dividends paid to ordinary shareholders of the Company		**(8,866)**	(6,333)
Net cash used in financing activities		**(7,524)**	(5,232)
Net (decrease)/increase in cash and cash equivalents		**(3,979)**	7,466
Cash and cash equivalents at 1 April 2008/1 April 2007		**23,767**	15,930
Effect of foreign exchange rate changes		**(2,767)**	371
Cash and cash equivalents at 31 March 2009/31 March 2008	*20*	**17,021**	23,767

The notes on pages 32 to 102 form part of these financial statements.

(Expressed in United States dollars unless otherwise indicated)

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 ("the Listing Rules"). 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 any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group and the Company 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 2009 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 the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

- financial instruments classified as financial assets at fair value through profit or loss (see note 1(e)); and

- foreign currency forward contracts (see note 1(f)).

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 40.

(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(n) or (o) 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(k)), 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 impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(k)).

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 at fair value through profit or loss are classified as current assets and initially stated at cost. 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. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 1(t)(v) and (vi).

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 or hedge the net investment in a foreign operation, 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.

(g) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

Investment properties are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(k)).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Investment properties *(continued)*

Investment properties are depreciated on a straight-line basis over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years.

Gains or losses arising from the retirement or disposal of an investment property is determined as the difference between the net disposal proceeds and the carrying amount of the investment property and is recognised in profit or loss on the date of retirement or disposal.

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

Rental income from investment properties is accounted for as described in note 1(t)(iii).

(h) Other property, plant and equipment

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

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.

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.

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Intangible assets (other than goodwill)

Intangible assets 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(k)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Retail network with finite useful life is amortised from the date it is available for use over its estimated useful life of 6.5 years.

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset 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 intangible assets with finite useful lives as set out above.

(j) 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.

(k) 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. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency or other financial reorganisation;

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of assets *(continued)*

(i) Impairment of receivables (continued)

- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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.

Impairment losses for trade debtors and royalty receivables included within trade and other receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and royalty receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of assets *(continued)*

(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:

- investment properties;
- other property, plant and equipment;
- intangible assets;
- investments in subsidiaries (except for those classified as held for sale); and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

– 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.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(k)), 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 allowance for impairment of doubtful debts.

(n) Interest-bearing borrowings (including loans from shareholders)

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.

(o) Trade and other payables (including loan from a minority shareholder)

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(s)(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.

(p) 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.

(q) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Employee benefits *(continued)*

(ii) Defined benefit retirement plan obligations (continued)

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.

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.

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Employee benefits *(continued)*

(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.

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).

(r) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Income tax *(continued)*

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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Income tax *(continued)*

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 Group or the Company 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 Group or the Company 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.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Financial guarantees issued, provisions and contingent liabilities *(continued)*

(i) Financial guarantees issued (continued)

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(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other 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.

(t) 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.

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Revenue recognition *(continued)*

(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.

(u) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Translation of foreign currencies *(continued)*

(ii) Translation (continued)

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.

(v) Borrowing costs

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

(w) 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.

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Segment reporting

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

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

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 the following new Interpretations and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company:

– HK(IFRIC) 11, *HKFRS 2 – Group and treasury share transactions*

– HK(IFRIC) 14, *HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction*

– Amendment to HKAS 39, *Financial instruments: Recognition and measurement,* and HKFRS 7, *Financial instruments: Disclosures – Reclassification of financial assets*

These HKFRS developments have had no material impact on the Group's financial statements as either they are consistent with accounting policies already adopted by the Group or they were not relevant to the Group's and the Company's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 41).

3 TURNOVER

The principal activities of the Group are designing, marketing and sales of apparel and accessories under the brand name of "Hang Ten" and other brands 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:

	2009	2008
	$'000	*$'000*
Sales of apparel and accessories	**255,676**	270,590
Royalty income	**3,257**	3,704
	258,933	274,294

(Expressed in United States dollars unless otherwise indicated)

4 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	2009	2008
	$'000	$'000
Other revenue		
Gross rentals from investment properties	**370**	–
Other rental income	**304**	442
Management fee income	**821**	841
Bank interest income	**658**	663
Claims receivable from suppliers	**1,035**	979
Others	**2,038**	1,102
	5,226	4,027
Other net (loss)/income		
Net (loss)/gain on disposal of fixed assets	**(734)**	136
Net foreign exchange (loss)/gain	**(3,672)**	1,000
Net (loss)/gain on forward foreign exchange contracts	**(84)**	97
Net realised and unrealised gains on listed funds	**57**	185
Others	**265**	292
	(4,168)	1,710

(Expressed in United States dollars unless otherwise indicated)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2009	2008
	$'000	*$'000*
(a) Finance costs:		
Interest on bank advances wholly repayable within five years	**233**	50
Interest on loans from shareholders	**985**	985
	1,218	1,035
(b) Staff costs:		
Contributions to defined contribution retirement schemes	**1,349**	1,337
Expenses recognised in respect of defined benefit retirement schemes *(note 23(a)(v))*	**62**	59
Total retirement costs	**1,411**	1,396
Salaries and staff benefits	**28,397**	29,250
	29,808	30,646
(c) Other items:		
Amortisation of intangible assets	**59**	26
Depreciation	**5,198**	4,638
Commission to franchisees	**15,321**	21,940
Impairment losses/(reversal of impairment losses) on trade and other receivables	**50**	(120)
Impairment loss on intangible assets	**211**	–
Auditors' remuneration	**247**	268
Operating lease charges (including retail shops and department store counters)		
– minimum lease payments	**23,257**	25,200
– contingent rentals	**32,802**	29,274
Cost of inventories *(note 17(b))*	**116,965**	116,139

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2009	2008
	$'000	*$'000*
Current tax – Overseas		
Provision for the year	**3,121**	5,687
(Over)/under-provision in respect of prior years	**(4)**	362
	3,117	6,049
Deferred tax		
Origination and reversal of temporary differences	**(354)**	(250)
Effect on deferred tax balances at 1 April resulting from a decrease in tax rate	**228**	–
	(126)	(250)
	2,991	5,799

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. The income tax rate for the Group's subsidiary in Korea for the year ending 31 March 2010 would be reduced from 27.5% to 24.2%. The decrease is taken into account in the preparation of the Group's 2009 financial statements and the opening balance of deferred tax assets have been re-estimated accordingly.

(Expressed in United States dollars unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(continued)*

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

	2009	2008
	$'000	*$'000*
Profit before taxation	**13,304**	27,385
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**3,065**	5,778
Tax effect of non-deductible expenses	**155**	190
Tax effect of non-taxable income	**(1,127)**	(866)
Tax effect of utilisation of deferred tax assets not recognised in prior years	**(205)**	(151)
Tax effect of unrecognised deferred tax assets	**879**	486
Effect on deferred tax balances at 1 April resulting from a decrease in tax rate	**228**	–
(Over)/under-provision in respect of prior years	**(4)**	362
Actual tax expense	**2,991**	5,799

(Expressed in United States dollars unless otherwise indicated)

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	2009 Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Executive directors					
Chan Wing Sun	129	–	–	–	129
Hung Kenneth	1	632	–	3	636
Wang Li Wen	1	204	54	6	265
Kao Yu Chu	1	228	57	6	292
Independent non-executive directors					
So Hon Cheung Stephen	31	–	–	–	31
Kwong Chi Keung	31	–	–	–	31
Cheung Yat Hung Alton	15	–	–	–	15
	209	1,064	111	15	1,399

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	2008 Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Executive directors					
Chan Wing Sun	129	–	–	–	129
Hung Kenneth	1	944	–	–	945
Wang Li Wen	1	193	89	6	289
Kao Yu Chu	1	216	105	6	328
Independent non-executive directors					
So Hon Cheung Stephen	31	–	–	–	31
Kwong Chi Keung	31	–	–	–	31
Cheung Yat Hung Alton	15	–	–	–	15
	209	1,353	194	12	1,768

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2008: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2008: two) individuals are as follows:

	2009	2008
	$'000	*$'000*
Salaries and other emoluments	**564**	794
Discretionary bonuses	**88**	288
	652	1,082

The emoluments of the two (2008: two) individuals with the highest emoluments are within the following bands:

	2009	2008
	Number of Individuals	*Number of individuals*
$192,308 – $256,409 (equivalent to HK$1,500,001 – HK$2,000,000)	**1**	–
$384,616 – $448,718 (equivalent to HK$3,000,001 – HK$3,500,000)	**1**	–
$448,719 – $512,820 (equivalent to HK$3,500,001 – HK$4,000,000)	**–**	1
$576,923 – $641,026 (equivalent to HK$4,500,001 – HK$5,000,000)	**–**	1
	2	2

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of $5,062,000 (2008: $8,944,000) which has been dealt with in the financial statements of the Company.

(Expressed in United States dollars unless otherwise indicated)

10 DIVIDENDS

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

	2009	2008
	$'000	*$'000*
Final dividend proposed after the balance sheet date of HK4.0 cents (2008: HK6.0 cents) per ordinary share (equivalent to approximately US0.52 cent (2008: US0.77 cent) per ordinary share)	**5,066**	7,600
Special dividend proposed after the balance sheet date of HK$Nil (2008: HK1.0 cent) per ordinary share (equivalent to approximately US$Nil (2008: US0.13 cent) per ordinary share)	**–**	1,266
	5,066	8,866

The dividends proposed after the balance sheet date have not been recognised as liabilities 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

	2009	2008
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK6.0 cents (2008: HK5.0 cents) per ordinary share (equivalent to approximately US0.77 cent (2008: US0.64 cent) per ordinary share)	**7,600**	6,333
Special dividend in respect of the previous financial year, approved and paid during the year, of HK1.0 cent (2008: HK$Nil) per ordinary share (equivalent to approximately US0.13 cent (2008: US$Nil) per ordinary share)	**1,266**	–
	8,866	6,333

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 $10,696,000 (2008: $21,563,000) and 982,250,000 (2008: 982,250,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share as the Company did not have dilutive potential ordinary shares outstanding during both 2008 and 2009.

12 FIXED ASSETS

The Group

	Land and buildings held for own use	Leasehold improvements	Motor vehicles	Furniture, fixtures and other property, plant and equipment	Sub-total	Investment properties	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:							
At 1 April 2008	1,628	5,283	519	9,876	17,306	–	17,306
Exchange adjustments	(819)	(850)	(102)	(2,726)	(4,497)	(728)	(5,225)
Reclassification	(1,058)	–	–	–	(1,058)	1,058	–
Additions							
– through acquisition of subsidiary *(note 32)*	–	–	–	102	102	–	102
– others	9,666	2,142	59	2,638	14,505	6,502	21,007
Disposals	–	(2,508)	–	(2,201)	(4,709)	–	(4,709)
At 31 March 2009	9,417	4,067	476	7,689	21,649	6,832	28,481
Accumulated depreciation and impairment loss:							
At 1 April 2008	7	735	374	4,963	6,079	–	6,079
Exchange adjustments	(11)	(250)	(82)	(1,231)	(1,574)	(38)	(1,612)
Reclassification	(5)	–	–	–	(5)	5	–
Charge for the year	101	2,497	55	2,480	5,133	65	5,198
Written back on disposals	–	(2,238)	–	(1,735)	(3,973)	–	(3,973)
At 31 March 2009	92	744	347	4,477	5,660	32	5,692
Net book value:							
At 31 March 2009	9,325	3,323	129	3,212	15,989	6,800	22,789

12 FIXED ASSETS *(continued)*

The Group *(continued)*

	Land and buildings held for own use $'000	Leasehold improvements $'000	Motor vehicles $'000	Furniture, fixtures and other property, plant and equipment $'000	Sub-total $'000	Investment properties $'000	Total $'000
Cost:							
At 1 April 2007	2,049	7,145	562	7,557	17,313	–	17,313
Exchange adjustments	(43)	880	39	(42)	834	–	834
Additions							
– through acquisition of subsidiary	–	–	–	304	304	–	304
– others	570	3,194	53	3,110	6,927	–	6,927
Disposals	(948)	(5,936)	(135)	(1,053)	(8,072)	–	(8,072)
At 31 March 2008	1,628	5,283	519	9,876	17,306	–	17,306
Accumulated depreciation and impairment loss:							
At 1 April 2007	566	3,043	406	3,573	7,588	–	7,588
Exchange adjustments	17	630	35	(72)	610	–	610
Charge for the year	31	2,661	65	1,881	4,638	–	4,638
Written back on disposals	(607)	(5,599)	(132)	(419)	(6,757)	–	(6,757)
At 31 March 2008	7	735	374	4,963	6,079	–	6,079
Net book value:							
At 31 March 2008	1,621	4,548	145	4,913	11,227	–	11,227

(a) In accordance with the accounting policy set out in note 1(g), the Group's investment properties are stated at cost less accumulated depreciation and impairment losses. Had these properties been carried at fair value, the carrying amount would have been $7,443,000.

(b) All land and buildings and investment properties are located outside Hong Kong. The land is freehold. At 31 March 2009, certain land and buildings and an investment property of the Group with carrying values of $3,254,000 and $865,000 respectively (2008: land and buildings with a carrying value of $1,053,000) were pledged as security for a bank loan (note 21).

(c) The Group leases out investment properties under operating leases. The leases typically run for an initial period of one to three years. None of the leases includes contingent rentals.

12 FIXED ASSETS *(continued)*

(c) *(continued)*

All properties held under operating leases that would otherwise meet the definition of investment property are disclosed as investment property.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2009	2008
	$'000	*$'000*
Within 1 year	**119**	–
After 1 year but within 5 years	**143**	–
	262	–

13 GOODWILL

	The Group	
	2009	2008
	$'000	*$'000*
Cost:		
At 1 April 2008/1 April 2007	**9,495**	8,989
Addition through acquisition of subsidiary *(note 32)*	**152**	506
At 31 March 2009/31 March 2008	**9,647**	9,495

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	
	2009	2008
	$'000	*$'000*
Taiwan operations	**5,663**	5,663
Korea operations	**1,978**	1,978
	7,641	7,641
Multiple operations without significant goodwill	**2,006**	1,854
	9,647	9,495

13 GOODWILL *(continued)*

The Group completed its annual impairment test for goodwill by comparing its recoverable amount to its carrying amount as at 31 March 2009. The recoverable amount is determined based on value-in-use calculations.

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

	2009	2008
Discount rate of cashflow	**15%**	15%
Annual growth rate	**13% to 20%**	7% to 15%

Management has considered the above assumptions and the business expansion plan and believes that there is no impairment loss on goodwill as at 31 March 2009.

14 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2009	2008
	$'000	*$'000*
Unlisted shares, at cost	**30,339**	30,339

The particulars of principal subsidiaries are set out in note 36.

(Expressed in United States dollars unless otherwise indicated)

15 INTANGIBLE ASSETS

The Group

	Retail network $'000	Trademarks $'000	Total $'000
Cost:			
At 1 April 2008	380	17,528	17,908
Addition through acquisition of subsidiary *(note 32)*	–	369	369
Impairment loss	–	(211)	(211)
At 31 March 2009	380	17,686	18,066
Accumulated amortisation:			
At 1 April 2008	26	–	26
Charge for the year	59	–	59
At 31 March 2009	85	–	85
Net book value:			
At 31 March 2009	295	17,686	17,981
Cost:			
At 1 April 2007	–	17,711	17,711
Addition through acquisition of subsidiary	380	–	380
Refund	–	(183)	(183)
At 31 March 2008	380	17,528	17,908
Accumulated amortisation:			
At 1 April 2007	–	–	–
Charge for the year	26	–	26
At 31 March 2008	26	–	26
Net book value:			
At 31 March 2008	354	17,528	17,882

(Expressed in United States dollars unless otherwise indicated)

15 INTANGIBLE ASSETS *(continued)*

The amortisation charge of retail network for the year is included in "other operating expenses" in the consolidated income statement.

During the year ended 31 March 2009, an impairment loss of $211,000 has been made for the trademark of "B.U.M." as the Group ceased trading B.U.M. products in June 2009 and the management considered the amount is not recoverable.

The Group reassessed the useful life of other trademarks at 31 March 2009 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 of "Hang Ten" by comparing its recoverable amount to its carrying amount and concluded that there is no impairment as at 31 March 2009. 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:

	2009	2008
Expected royalty rates from trademarks	**0.1% to 2.3%**	1% to 2.3%
Discount rate of cashflow	**15%**	15%

During the year ended 31 March 2009, the Group entered into a sale and purchase agreement to sell the interest in trademarks of "Hang Ten" in the territories of the United States and Canada with a carrying value of $2,679,000 to a third party for a consideration of $10,400,000 (with 15% of which being paid as a commission to a third party). The transaction is completed subsequently after the balance sheet date (see note 39).

16 INVESTMENTS

	The Group	
	2009	2008
	$'000	*$'000*
Listed funds in Taiwan stated at fair value	**8,028**	16,452

(Expressed in United States dollars unless otherwise indicated)

17 INVENTORIES

(a) Inventories in the balance sheet comprise:

	The Group	
	2009	2008
	$'000	*$'000*
Finished goods	**41,492**	46,038
Goods in transit	**69**	110
	41,561	46,148
Less: Write-down of inventories	**(8,742)**	(9,930)
	32,819	36,218

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

	The Group	
	2009	2008
	$'000	*$'000*
Carrying amount of inventories sold	**118,153**	113,767
Write-down of inventories	**258**	2,810
Reversal of write-down of inventories	**(1,446)**	(438)
	116,965	116,139

(Expressed in United States dollars unless otherwise indicated)

18 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	$'000	*$'000*	***$'000***	*$'000*
Trade debtors	**11,152**	15,608	**–**	–
Royalty receivables	**675**	696	**–**	–
Less: Allowance for doubtful debts	**(435)**	(415)	**–**	–
	11,392	15,889	**–**	–
Forward foreign exchange contracts	**–**	97	**–**	–
Rental deposits	**9,745**	12,622	**–**	–
Prepayments and other receivables	**3,793**	4,689	**17**	17
	24,930	33,297	**17**	17

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

(a) Impairment of trade debtors and royalty receivables

Impairment losses in respect of trade debtors and royalty receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and royalty receivables directly (see note 1(k)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group	
	2009	2008
	$'000	*$'000*
At 1 April 2008/1 April 2007	**415**	1,208
Impairment loss recognised/(reversed)	**50**	(120)
Uncollectible amounts written off	**(30)**	(673)
At 31 March 2009/31 March 2008	**435**	415

At 31 March 2009, the Group's trade debtors and royalty receivables of $435,000 (2008: $415,000) were individually determined to be impaired. The individually impaired receivables related to a number of customers and management assessed that the receivables are not recoverable. Consequently, specific allowances for doubtful debts were recognised at 31 March 2009. The Group occasionally requests cash deposits as collateral from customers.

18 TRADE AND OTHER RECEIVABLES *(continued)*

(b) Trade debtors and royalty receivables that are not impaired

Trade debtors and royalty receivables are generally due within 30 to 60 days from the date of billing. Further details on the Group's credit policy are set out in note 31(a).

The ageing analysis of trade debtors and royalty receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2009	2008
	$'000	*$'000*
Neither past due nor impaired	**9,628**	13,490
1 to 3 months past due	**1,556**	2,334
More than 3 months but less than 1 year past due	**208**	65
Amounts past due	**1,764**	2,399
	11,392	15,889

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

19 AMOUNT DUE FROM/TO SUBSIDIARY

The amount due from/to subsidiary is unsecured, interest free and recoverable/repayable on demand.

20 CASH AND CASH EQUIVALENTS

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

(Expressed in United States dollars unless otherwise indicated)

21 BANK LOANS

At 31 March 2009, the bank loans were repayable as follows:

	The Group	
	2009	2008
	$'000	*$'000*
Within 1 year or on demand	**4,146**	2,741

At 31 March 2009, the banks loans were secured as follows:

	The Group	
	2009	2008
	$'000	*$'000*
Bank loans		
– secured	**2,178**	605
– unsecured	**1,968**	2,136
	4,146	2,741

The bank loan of $2,178,000 (2008: $605,000) is secured by mortgage over certain land and buildings and an investment property with carrying values of $3,254,000 and $865,000 respectively (2008: land and buildings with a carrying value of $1,053,000).

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. The Group regularly monitors its compliance with these covenants. As at 31 March 2009, none of the covenants had been breached (2008: $Nil).

22 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	$'000	*$'000*	***$'000***	*$'000*
Trade creditors	**11,686**	12,334	**–**	–
Bills payable	**307**	818	**–**	–
Interest on loans from shareholders *(note 37(c)(ii))*	**985**	985	**–**	–
Forward foreign exchange contracts	**84**	–	**–**	–
Accrued charges	**4,980**	7,311	**168**	141
Deferred income *(note 29)*	**1,180**	1,180	**–**	–
Deposits received	**4,749**	4,185	**–**	–
Others	**4,513**	3,714	**–**	–
	28,484	30,527	**168**	141

Credit terms obtained by the Group range from 30 to 45 days. All of the trade and other payables are expected to be settled or recognised as an income 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 (2008: $1,014,000). Details of which are set out in note 34(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	
	2009	2008
	$'000	*$'000*
Due within 1 month or on demand	**9,732**	9,772
Due after 1 month but within 3 months	**1,994**	2,206
Due after 3 months but within 6 months	**267**	1,174
	11,993	13,152

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 performed by Dr Lin, who is a Fellow of Actuarial Institute of Republic of China, using the projected unit credit method at 31 March 2009. The actuarial valuation indicates that the Group's obligations under the defined benefit retirement scheme are 69% (2008: 80%) covered by the plan assets placed with the government institution.

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

	The Group	
	2009	2008
	$'000	*$'000*
Present value of wholly or partly funded obligations	**2,349**	2,211
Fair value of plan assets	**(1,623)**	(1,770)
Present value of net obligations	**726**	441
Unrecognised transitional liabilities	**(46)**	(44)
Unrecognised actuarial losses	**(319)**	(48)
	361	349

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 $81,000 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	
	2009	2008
	$'000	*$'000*
Cash deposits	**1,623**	1,770

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

	The Group	
	2009	2008
	$'000	*$'000*
At 1 April 2008/1 April 2007	**2,211**	1,792
Exchange adjustments	**(257)**	177
Current service cost	**30**	29
Interest cost	**73**	69
Actuarial losses	**292**	144
At 31 March 2009/31 March 2008	**2,349**	2,211

(iv) Movements in plan assets

	The Group	
	2009	2008
	$'000	*$'000*
At 1 April 2008/1 April 2007	**1,770**	1,562
Exchange adjustments	**(192)**	144
Group's contributions paid to the schemes	**7**	9
Actuarial expected return on scheme assets	**46**	44
Actuarial (losses)/gains	**(8)**	11
At 31 March 2009/31 March 2008	**1,623**	1,770

(Expressed in United States dollars unless otherwise indicated)

23 EMPLOYEE RETIREMENT BENEFITS *(continued)*

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

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

	The Group	
	2009	2008
	$'000	*$'000*
Current service cost	**30**	29
Interest on obligations	**73**	69
Actuarial expected return on plan assets	**(46)**	(44)
Amortisation of actuarial losses and transitional liabilities	**5**	5
	62	59

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

	The Group	
	2009	2008
	$'000	*$'000*
Selling expenses	**57**	57
Administrative expenses	**5**	2
	62	59
Actual return on plan assets	**45**	55

23 EMPLOYEE RETIREMENT BENEFITS *(continued)*

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

(vi) The principal actuarial assumptions used as at 31 March 2009 (expressed as weighted averages) are as follows:

	The Group	
	2009	2008
Discount rate	**2.25%**	3.50%
Expected rate of return on plan assets	**1.00%**	2.75%
Future salary increases	**2%/2.8%**	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				
	2009	2008	2007	2006	2005
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Present value of the defined benefit obligations	**2,349**	2,211	1,792	1,743	2,263
Fair value of plan assets	**(1,623)**	(1,770)	(1,562)	(1,539)	(1,454)
Deficit in the plan	**726**	441	230	204	809
Experience adjustments arising on plan liabilities	**292**	144	11	671	(198)
Experience adjustments arising on plan assets	**(8)**	11	3	7	(47)

(Expressed in United States dollars unless otherwise indicated)

23 EMPLOYEE RETIREMENT BENEFITS *(continued)*

(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 retirement schemes are recognised as an expense in profit or loss as incurred.

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.

(Expressed in United States dollars unless otherwise indicated)

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

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.

The movements of the share options granted during the year are as follows:

Date of grant	Exercise price per share	Exercise period	Outstanding as at 1 April 2008	Lapsed during the year	Outstanding as at 31 March 2009
7 April 2004	HK$1.52	1 April 2005 to 31 March 2009	4,800,000	(4,800,000)	–
7 April 2004	HK$1.52	1 April 2006 to 31 March 2009	4,800,000	(4,800,000)	–
			9,600,000	(9,600,000)	–

Date of grant	Exercise price per share	Exercise period	Outstanding as at 1 April 2007	Lapsed during the year	Outstanding as at 31 March 2008
7 April 2004	HK$1.52	1 April 2005 to 31 March 2009	5,330,000	(530,000)	4,800,000
7 April 2004	HK$1.52	1 April 2006 to 31 March 2009	5,330,000	(530,000)	4,800,000
			10,660,000	(1,060,000)	9,600,000

(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 years 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	5,330,000	One year from the date of grant	5 years
– on 7 April 2004	5,330,000	Two years from the date of grant	5 years
Total share options	10,660,000		

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

	2009		2008	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the period	**HK$1.52**	**9,600,000**	HK$1.52	10,660,000
Lapsed during the period	**HK$1.52**	**(9,600,000)**	HK$1.52	(1,060,000)
Outstanding at the end of the period	**-**	**-**	HK$1.52	9,600,000
Exercisable at the end of the period	**-**	**-**	HK$1.52	9,600,000

(Expressed in United States dollars unless otherwise indicated)

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

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

There were no share options granted or exercised during the years ended 31 March 2009 and 31 March 2008. The options outstanding at 31 March 2008 had an exercise price of HK$1.52 and a weighted average remaining contractual life of 1 year and they are lapsed at 31 March 2009.

(c) Fair value of share options and assumptions

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

Fair value of share options and assumptions	2008
Fair value at measurement date	HK$0.29
Share price	HK$1.40
Exercise price	HK$1.52
Expected volatility (expressed as weighted average volatility used in the modelling under Black-Scholes Option Pricing Model)	38.84%
Option life (expressed as weighted average life used in the modelling under Black-Scholes Option Pricing Model)	5 years
Expected dividends	3.50%
Risk-free interest rate	2.80%

The expected volatility was based on the historic volatility (calculated based on the weighted average remaining life of the share options). Expected dividends were 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 with related companies and shareholders are unsecured, interest free and repayable on demand. Details of related party transactions are set out in note 37.

(Expressed in United States dollars unless otherwise indicated)

26 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents

	The Group	
	2009	2008
	$'000	*$'000*
Provision for overseas profits tax	**3,121**	5,687
Provisional profits tax paid	**(1,716)**	(2,148)
	1,405	3,539
Balance of profits tax provision relating to prior years	**3,330**	3,330
	4,735	6,869

The Group operates mainly in Taiwan, Korea, Singapore, the People's Republic of China ("the PRC"), 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 34.

(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	**Inventory write-down**	**Operating revenue**	**Others**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Deferred tax arising from:					
At 1 April 2007	16	994	1,235	1,598	3,843
Exchange adjustments	(1)	35	(66)	1	(31)
Credited/(charged) to profit or loss	12	337	165	(264)	250
At 31 March 2008	27	1,366	1,334	1,335	4,062
At 1 April 2008	27	1,366	1,334	1,335	4,062
Exchange adjustments	(7)	(241)	(353)	(2)	(603)
(Charged)/credited to profit or loss	(4)	51	(170)	249	126
At 31 March 2009	16	1,176	811	1,582	3,585

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

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(r), 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	
	2009	2008
	$'000	*$'000*
Future benefit of tax losses	**9,224**	6,237
Others	**2,339**	2,568
	11,563	8,805

At 31 March 2009, the Group has not recognised deferred tax assets in respect of tax losses, whose expiry dates are:

	The Group	
	2009	2008
	$'000	*$'000*
In March 2012	**445**	96
No expiry date	**8,779**	6,141
	9,224	6,237

(d) Deferred tax liabilities not recognised

At 31 March 2009, temporary differences relating to the undistributed profits of subsidiaries amounted to $40,675,000 (2008: $39,698,000). Deferred tax liabilities of $9,419,000 (2008: $8,683,000) 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 (2008: $985,000) is included under trade and other payables in note 22.

28 LOAN FROM A MINORITY SHAREHOLDER

The loan from a minority shareholder is unsecured, interest-free and not expected to be repaid within the next twelve months.

29 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	
	2009	2008
	$'000	*$'000*
Total deferred income	**5,900**	7,080
Less: current portion included in trade and other payables *(note 22)*	**(1,180)**	(1,180)
	4,720	5,900

(Expressed in United States dollars unless otherwise indicated)

30 CAPITAL AND RESERVES

(a) The Group

	Share capital	Share premium	Contributed surplus	Share options reserve	Exchange reserve	Legal reserve	Retained profits	Total	Minority interests	Total equity
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 April 2007	12,593	1,528	5,710	442	3,897	913	47,269	72,352	818	73,170
Dividends approved in respect of previous year	–	–	–	–	–	–	(6,333)	(6,333)	–	(6,333)
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	731	–	–	731	129	860
Exchange reserve realised on capital reduction of subsidiary	–	–	–	–	(782)	–	–	(782)	–	(782)
Share options lapsed	–	–	–	(92)	–	–	92	–	–	–
Profit for the year	–	–	–	–	–	–	21,563	21,563	23	21,586
At 31 March 2008	12,593	1,528	5,710	350	3,846	913	62,591	87,531	970	88,501
At 1 April 2008	12,593	1,528	5,710	350	3,846	913	62,591	87,531	970	88,501
Dividends approved in respect of previous year	–	–	–	–	–	–	(8,866)	(8,866)	–	(8,866)
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	(12,958)	–	–	(12,958)	(33)	(12,991)
Share options lapsed	–	–	–	(350)	–	–	350	–	–	–
Profit for the year	–	–	–	–	–	–	10,696	10,696	(383)	10,313
Transfer to legal reserve	–	–	–	–	–	148	(148)	–	–	–
At 31 March 2009	12,593	1,528	5,710	–	(9,112)	1,061	64,623	76,403	554	76,957

(Expressed in United States dollars unless otherwise indicated)

30 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 2007	12,593	1,528	14,562	442	6,420	35,545
Dividends approved in respect of previous year	–	–	–	–	(6,333)	(6,333)
Share options lapsed	–	–	–	(92)	92	–
Profit for the year	–	–	–	–	8,944	8,944
At 31 March 2008	12,593	1,528	14,562	350	9,123	38,156
At 1 April 2008	12,593	1,528	14,562	350	9,123	38,156
Dividends approved in respect of previous year	–	–	–	–	(8,866)	(8,866)
Share options lapsed	–	–	–	(350)	350	–
Profit for the year	–	–	–	–	5,062	5,062
At 31 March 2009	12,593	1,528	14,562	–	5,669	34,352

(c) Share capital

Authorised and issued share capital

	2009					2008				
	Number of ordinary shares '000	**$'000**	**Number of convertible preference shares**	**$'000**	**Total $'000**	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**	2,500,000	32,051	-	-	32,051
Convertible preference shares ("CPS") of HK$10,000 each	**-**	**-**	**7,307**	**9,368**	**9,368**	-	-	7,307	9,368	9,368
	2,500,000	**32,051**	**7,307**	**9,368**	**41,419**	2,500,000	32,051	7,307	9,368	41,419
Issued and fully paid:										
At 1 April 2007, 31 March 2008, 1 April 2008 and 31 March 2009	**982,250**	**12,593**	**-**	**-**	**12,593**	982,250	12,593	-	-	12,593

30 CAPITAL AND RESERVES *(continued)*

(c) Share capital *(continued)*

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.

(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(q)(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(u).

(v) Legal reserve

According to Company Act in Taiwan, the Group's Taiwan subsidiary shall provide 10% of net profit as legal reserve until the legal reserve balance equals the authorised capital. The legal reserve may be used at any time to offset deficits. No cash dividends shall be paid from the legal reserve. However, the shareholders of the subsidiary may elect to increase the subsidiary's share capital by an amount up to 50% of the reserve when the legal reserve has reached 50% of the subsidiary's paid-in capital.

30 CAPITAL AND RESERVES *(continued)*

(e) Distributability of reserves

At 31 March 2009, the aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to $20,231,000 (2008: $23,685,000). After the balance sheet date the directors proposed a final dividend of HK4.0 cents (2008: HK6.0 cents) per ordinary share, amounting to $5,066,000 (2008: $7,600,000), and a special dividend of $Nil (2008: HK1.0 cent per ordinary share amounting to $1,266,000). These dividends have not been recognised as liabilities at the balance sheet date.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group defines "capital" as including all components of equity attributable to equity shareholders of the Company. On this basis, the amount of capital employed at 31 March 2009 was $76,403,000 (2008: $87,531,000). The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group reviews the capital structure on a regular basis and considers the cost of capital and the associated risks, and balances its overall capital structure through adjusting the amount of dividends paid to shareholders, issue new shares or raise new debt financing. No changes were made in the objectives, policies or processes during the years ended 31 March 2009 and 31 March 2008.

The Group monitors capital with reference to its debt position. The Group's strategy is to maintain a solid base to support the operations and development of its business in the long term. The Group's gearing ratio, being the Group's bank borrowings over its equity attributable to equity shareholders, as at 31 March 2009 was 5.4% (2008: 3.1%).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

31 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

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 evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. These receivables are generally due within 30 to 60 days from the date of billing. The Group occasionally requests cash deposits as collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. The Group does not have a concentration of credit risk at 31 March 2009 and 2008. 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.

Further quantitative discloses in respect of the Group's exposure to credit risk arising from trading and other receivables are set out in note 18.

(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 of the 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.

31 FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

The Group

	2009 Contractual undiscounted cash flow					2008 Contractual undiscounted cash flow				
	Within 1 year or on demand $'000	**More than 1 year but less than 2 years $'000**	**More than 2 years $'000**	**Total $'000**	**Balance sheet carrying amount $'000**	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years $'000	Total $'000	Balance sheet carrying amount $'000
Bank loans	**4,281**	**-**	**-**	**4,281**	**4,146**	2,895	-	-	2,895	2,741
Trade and other payables	**28,484**	**-**	**-**	**28,484**	**28,484**	30,527	-	-	30,527	30,527
Amounts due to shareholders	**658**	**-**	**-**	**658**	**658**	1,177	-	-	1,177	1,177
Loan from a minority shareholder	**-**	**-**	**393**	**393**	**393**	-	-	-	-	-
Loans from shareholders	**985**	**985**	**16,974**	**18,944**	**16,400**	985	985	17,959	19,929	16,400
	34,408	**985**	**17,367**	**52,760**	**50,081**	35,584	985	17,959	54,528	50,845

The Company

	2009 Contractual undiscounted cash flow					2008 Contractual undiscounted cash flow				
	Within 1 year or on demand $'000	**More than 1 year but less than 2 years $'000**	**More than 2 years $'000**	**Total $'000**	**Balance sheet carrying amount $'000**	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years $'000	Total $'000	Balance sheet carrying amount $'000
Other payables	**168**	**-**	**-**	**168**	**168**	141	-	-	141	141

31 FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from the Group's cash and cash equivalents, bank loans and loans from shareholders. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out in note (i) below.

(i) Interest rate profile

The following table details the interest rate profile for the Group's net borrowings (being interest-bearing financial liabilities less cash and cash equivalents) at the balance sheet date:

	2009 Effective interest rate	**2009** *$'000*	2008 Effective interest rate	2008 *$'000*
Fixed rate borrowings:				
Secured bank loans	**6%**	**2,178**	6.38%	605
Loans from shareholders	**6%**	**16,400**	6%	16,400
		18,578		17,005
Variable rate borrowings/ (deposits):				
Unsecured bank loans	**4.9% – 6.1%**	**1,968**	5.4%	2,136
Less: Cash and cash equivalents	**0.1% – 2.6%**	**(17,021)**	2% – 6%	(23,767)
		(15,053)		(21,631)
Total net borrowings/ (deposits)		**3,525**		(4,626)

(ii) Sensitivity analysis

At 31 March 2009, it is estimated that a general increase/decrease of one percentage in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax by approximately $35,000 (2008: increase/decrease by $46,000).

31 FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk *(continued)*

(ii) Sensitivity analysis (continued)

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2008.

(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, where the Group considers the risk of movements in exchange rates between the United States dollars and the Hong Kong dollars to be insignificant.

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. At 31 March 2009, the Group had forward exchange contracts hedging forecast transactions with fair value of $84,000 recognised as current liabilities (2008: $97,000 recognised as current assets).

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

(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 either the functional currency of the entity taking out the loans or United States dollars. On this basis, management does not expect that there will be any significant currency risk associated with the Group's borrowings.

31 FINANCIAL INSTRUMENTS *(continued)*

(d) Foreign currency risk *(continued)*

(iii) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in United States Dollars, translated using the spot rate at the year end date. Difference resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

The Group

	Exposure to foreign currencies (expressed in United States Dollars)	
	2009 Hong Kong Dollars *$'000*	2008 Hong Kong Dollars *$'000*
Trade and other payables	**2,338**	1,368

(e) Equity price risk

The Group is exposed to equity price changes arising from investment classified as financial assets at fair value through profit or loss (see note 16). All the Group's investments are listed funds in Taiwan. The investments have been chosen based on their long term growth potential and are monitored regularly for performance against expectations.

At 31 March 2009, it is estimated that an increase/decrease of 5% (2008: 5%) in the relevant stock market index, with all other variables held constant, would have increased/decreased the Group's profit after tax (and retained profits) as follows:

The Group

	2009	**Effect on profit after tax and retained profits *$'000***	2008	Effect on profit after tax and retained profits *$'000*
Change in the stock market index – listed funds				
Increase	**5%**	**401**	5%	815
Decrease	**(5)%**	**(401)**	(5)%	(815)

31 FINANCIAL INSTRUMENTS *(continued)*

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2009 and 2008.

(g) 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) Derivatives

Forward foreign exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

(iii) 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.

32 ACQUISITION OF SUBSIDIARY

On 4 April 2008, the Group entered into a sale and purchase agreement with third parties, according to which the Group agreed to acquire 81.25% equity interest in Ever Brave Holdings Limited ("Acquired Subsidiary") at a cash consideration of $711,000. For the year ended 31 March 2009, the Acquired Subsidiary contributed net loss of $236,000 to the consolidated net profit for the year. There would have been no change to the revenue and the consolidated net profit for the Group had the acquisition occurred on 1 April 2008.

32 ACQUISITION OF SUBSIDIARY *(continued)*

The acquisition had the following effect on the Group's assets and liabilities:

	$'000
Fair value of net assets acquired	
Fixed assets	102
Intangible assets	369
Trade and other receivables	234
Cash and cash equivalents	490
Trade and other payables	(555)
Minority interests	(81)
Net identifiable assets and liabilities	559
Goodwill arising on acquisition *(note 13)*	152
Consideration, satisfied in cash	711
Cash acquired	(490)
Net cash outflow	221

Goodwill has arisen on acquisition of the Acquired subsidiary because of management expertise and workforce that did not meet the criteria for recognition as an intangible asset at the date of acquisition.

33 OPERATING LEASE COMMITMENTS

At 31 March 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2009	2008
	$'000	*$'000*
Within 1 year	**20,165**	18,747
After 1 year but within 5 years	**22,311**	20,493
After 5 years	**320**	–
	42,796	39,240

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 shops or counters. The disclosure on commitments above includes the fixed rentals only.

34 CONTINGENT LIABILITIES

(a) Letters of credit

At 31 March 2009, outstanding letters of credit of the Group for the purchase of goods amounted to $3,928,000 (2008: $3,945,000).

(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. The High Court ordered a judgement in favour of the Group in September 2007. The TTA had filed an appeal to the Supreme Administrative Court and the case was sent back to High Court for re-trial. During the year ended 31 March 2009, the High Court ordered a judgement in favour of TTA. The Group has subsequently filed an appeal to the Supreme Administrative Court and the case is currently pending.

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 confident that the Group has reasonable grounds to refute the penalties and considers that no further provision is required at 31 March 2009.

(c) Financial guarantees issued

As at the balance sheet date, the Company has issued financial guarantees to its subsidiaries in respect of certain bank facilities. 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.

35 PLEDGE OF ASSETS

At 31 March 2009, a bank loan of $2,178,000 (2008: $605,000) was secured by pledge of certain land and buildings and an investment property with carrying values of $3,254,000 and $865,000 respectively (2008: land and buildings with a carrying value of $1,053,000).

(Expressed in United States dollars unless otherwise indicated)

36 PARTICULARS OF SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities 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.

			Proportion of ownership interest			
Name of company	**Place of incorporation and operation**	**Particulars of issued and paid up capital**	**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 apparel
Yangtze Apparel Taiwan Enterprise Limited	Taiwan	NT$100,000,000	100%	–	100%	Retail and wholesale of apparel
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 apparel
Hang Ten Enterprises (Pte) Ltd.	Singapore	SGD1,000,000	100%	–	100%	Retail and wholesale of apparel
Hang Ten Korea Corp.	Korea	KRW50,000,000	100%	–	100%	Retail and wholesale of apparel
Hang Ten Enterprises (M) Sdn Bhd	Malaysia	RM500,000	100%	–	100%	Retail and wholesale of apparel

(Expressed in United States dollars unless otherwise indicated)

36 PARTICULARS OF SUBSIDIARIES *(continued)*

			Proportion of ownership interest			
Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	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 apparel
HTEL (Hong Kong) Limited	Hong Kong	HK$2,000,000	100%	–	100%	Retail and wholesale of apparel
Hang Ten (China) Group Limited	BVI	$20,000	100%	–	100%	Investment holding
Guangzhou Hang Ten Trading Limited	The PRC	RMB500,000	100%	–	100%	Retail and wholesale of apparel
Hang Ten Trading (Shanghai) Limited	The PRC	$2,000,000	100%	–	100%	Retail and wholesale of apparel
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 *(Note 1)*	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

(Expressed in United States dollars unless otherwise indicated)

36 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
Hang Ten Retail USA, Inc. *(Note 2)*	United States of America	$16,102	79.91%	–	79.91%	In members' liquidation
Han Tone Enterprises Limited	BVI	$1	100%	–	100%	Investment holding
Merry King Investment Ltd	BVI	$1,200	70%	–	70%	Investment holding
Ever Brave Holdings Ltd	BVI	$160,000	56.88%	–	81.25%	Investment holding
恒勇餐飲(上海)管理有限公司	The PRC	$1,800,000	56.88%	–	100%	Trademark licensing and provision of catering management service

Notes:

1: During the year ended 31 March 2009, ILC (Hungary) Limited commenced members' voluntary liquidation. The process was completed at 31 March 2009.

2: 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 was completed subsequently after 31 March 2009.

(Expressed in United States dollars unless otherwise indicated)

37 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:

	2009	2008
	$'000	*$'000*
Short-term employee benefits	**1,807**	2,386
Post-employment benefits	**15**	12
	1,822	2,398

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

	2009	2008
	$'000	*$'000*
Rental income from leasing of retail stores and equipment	**70**	78
Service fee income in respect of maintenance services for retail stores	**12**	30

(ii) Amount due from Michel Rene Enterprises Limited

	2009	2008
	$'000	*$'000*
Amount due from Michel Rene Enterprises Limited	**37**	48

Details of the terms are set out in note 25.

37 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

	2009	2008
	$'000	*$'000*
Executive remuneration paid to Mr Dennis Kung	**422**	629
Executive remuneration paid to Mr Kenneth Hung	**636**	945
Interest on loans from shareholders	**985**	985

(ii) Balances with shareholders and a minority shareholder of a non-wholly owned subsidiary

	2009	2008
	$'000	*$'000*
Amounts due to shareholders	**658**	1,177
Loans from shareholders	**16,400**	16,400
Loan from a minority shareholder	**393**	–
Accrued interest on loans from shareholders *(note 22)*	**985**	985

Details of the terms are set out in notes 5(a), 25, 27 and 28.

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

	2009	2008
	$'000	*$'000*
Sales of goods to Chua and company	**692**	1,178
Royalty income from Avon Dale Garments, Inc.	**64**	114

(ii) Balances with associates of the minority shareholders

	2009	2008
	$'000	*$'000*
Amount due from Avon Dale Garments, Inc.	**17**	16

Details of the terms are set out in note 25.

38 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.

38 SEGMENT REPORTING *(continued)*

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

	2009									
	Taiwan	Korea	Philippines	Singapore	The PRC	Hong Kong and Macau	Malaysia	Inter-segment elimination	Unallocated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	115,911	96,353	5,316	15,839	12,891	6,679	2,687	-	3,257	258,933
Inter-segment revenue	5,330	-	-	-	-	-	-	(5,330)	-	-
Total revenue	121,241	96,353	5,316	15,839	12,891	6,679	2,687	(5,330)	3,257	258,933
Segment result	10,528	4,322	(603)	(1,532)	(1,111)	(219)	(303)	(14)		11,068
Unallocated operating income and expenses										3,454
Profit from operations										14,522
Finance costs										(1,218)
Income tax										(2,991)
Profit after taxation										10,313
Depreciation and amortisation for the year	1,585	1,729	193	444	977	176	120		33	5,257
Impairment losses on trade and other receivables	-	50	-	-	-	-	-		-	50
(Reversal of)/write-down of inventories	(426)	(996)	123	47	47	41	(24)		-	(1,188)

38 SEGMENT REPORTING *(continued)*

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

	2008									
	Taiwan	Korea	Philippines	Singapore	The PRC	Hong Kong and Macau	Malaysia	Inter-segment elimination	Unallocated	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Revenue from external customers	114,909	123,961	6,036	14,207	3,327	5,855	2,295	–	3,704	274,294
Inter-segment revenue	6,328	96	–	79	–	17	–	(6,520)	–	–
Total revenue	121,237	124,057	6,036	14,286	3,327	5,872	2,295	(6,520)	3,704	274,294
Segment result	14,347	12,574	78	(1,829)	32	(855)	(279)	(147)		23,921
Unallocated operating income and expenses										4,499
Profit from operations										28,420
Finance costs										(1,035)
Income tax										(5,799)
Profit after taxation										21,586
Depreciation and amortisation for the year	1,411	1,849	238	480	188	316	156		26	4,664
Impairment losses/(reversal of impairment losses) on trade and other receivables	–	12	–	–	–	–	–		(132)	(120)
(Reversal of)/write-down of inventories	(120)	2,042	33	31	305	7	74		–	2,372

(Expressed in United States dollars unless otherwise indicated)

38 SEGMENT REPORTING *(continued)*

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

	Taiwan $'000	Korea $'000	Philippines $'000	Singapore $'000	The PRC $'000	Hong Kong and Macau $'000	Malaysia $'000	Inter-segment elimination $'000	Total $'000
At 31 March 2009									
Segment assets	**109,697**	**35,395**	**2,123**	**3,862**	**5,117**	**1,657**	**1,404**	**(54,185)**	**105,070**
Unallocated assets									**31,784**
Total assets									**136,854**
Segment liabilities	**33,679**	**7,807**	**1,178**	**9,259**	**4,446**	**5,731**	**2,295**	**(38,880)**	**25,515**
Unallocated liabilities									**34,382**
Total liabilities									**59,897**
Capital expenditure incurred during the year	**12,636**	**6,547**	**94**	**466**	**780**	**109**	**374**		**21,006**
Unallocated capital expenditure									**712**
									21,718
At 31 March 2008									
Segment assets	96,890	44,428	2,852	4,343	6,151	1,674	1,205	(36,972)	120,571
Unallocated assets									31,893
Total assets									152,464
Segment liabilities	25,809	8,518	1,756	8,490	5,730	5,529	1,720	(27,277)	30,275
Unallocated liabilities									33,688
Total liabilities									63,963
Capital expenditure incurred during the year	2,813	3,202	162	217	1,451	146	126		8,117
Unallocated capital expenditure									-
									8,117

38 SEGMENT REPORTING *(continued)*

(iii) Business segments

The Group comprises the following main business segments:

(i) *Sales of apparel and accessories – Retail and wholesale of branded apparel and accessories*

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

	2009 $'000	2008 $'000
Revenue from external customers:		
– Sales of apparel and accessories	**255,676**	270,590
– Royalty income	**3,257**	3,704
	258,933	274,294
Segment assets:		
– Sales of apparel and accessories	**105,070**	120,571
– Unallocated assets		
– Royalty income	**1,155**	2,202
– Unallocated (including trademarks)	**30,629**	29,691
	31,784	31,893
	136,854	152,464
Capital expenditure incurred during the year:		
– Sales of apparel and accessories	**21,006**	8,117
– Unallocated	**712**	–
	21,718	8,117

39 NON-ADJUSTING POST BALANCE SHEET EVENTS

During the year ended 31 March 2009, the Group entered into a sale and purchase agreement to sell the interest in the trademarks of "Hang Ten" in the territories of the United States and Canada to a third party for a consideration of $10,400,000 (with 15% of which being paid as commission to a third party). As at 31 March 2009, the transaction has not yet been completed and deposits received by the Group amounted to $1,947,000.

On 22 June 2009, the Group entered into an amendment agreement and according to which, the Group received $689,000 in cash and $6,204,000 in the form of a promissory note upon the signing of agreement and the ownership of the related trademarks is transferred to the third party. The promissory note is interest-bearing at an annual rate of 6% compounded on a quarterly basis and matured on 30 June 2013.

The carrying amount of the trademarks to be disposed of amounted to $2,679,000 at 31 March 2009 and a gain of $6,161,000 will be credited to the consolidated income statement for the year ending 31 March 2010.

40 ACCOUNTING ESTIMATES AND JUDGEMENTS

(i) Goodwill and intangible assets

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

(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.

(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.

(Expressed in United States dollars unless otherwise indicated)

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2009

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 2009 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 result in a restatement of the Group's results of operations and financial positions.

In addition, the following developments may result in new or amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating segments	1 January 2009
HKAS 1 (revised 2007)	Presentation of financial statements	1 January 2009
HKFRS 3 (revised)	Business combinations	1 July 2009
Amendments to HKAS 27	Consolidated and separate financial statements	1 July 2009
Improvements to HKFRSs 2009		1 July 2009 or 1 January 2010

(Expressed in United States dollars)

	Year ended 31 March 2005 $'000	Year ended 31 March 2006 $'000	Year ended 31 March 2007 $'000	Year ended 31 March 2008 $'000	**Year ended 31 March 2009 $'000**
Consolidated results					
Turnover	212,955	243,093	257,616	274,294	**258,933**
Profit before taxation	20,617	17,794	18,993	27,385	**13,304**
Income tax	(4,564)	(4,171)	(5,073)	(5,799)	**(2,991)**
Profit for the year	16,053	13,623	13,920	21,586	**10,313**
Attributable to:					
Equity shareholders of the Company	16,040	13,003	13,952	21,563	**10,696**
Minority interests	13	620	(32)	23	**(383)**
Profit for the year	16,053	13,623	13,920	21,586	**10,313**
Consolidated assets and liabilities					
Fixed assets	7,756	8,838	9,725	11,227	**22,789**
Goodwill	8,989	8,989	8,989	9,495	**9,647**
Intangible assets	17,523	17,523	17,711	17,882	**17,981**
Other non-current assets	1,318	2,455	3,843	4,062	**3,585**
Net current assets	50,167	54,899	56,654	68,484	**44,829**
Non-current liabilities	(26,782)	(24,893)	(23,752)	(22,649)	**(21,874)**
Net assets	58,971	67,811	73,170	88,501	**76,957**
Capital and reserves					
Share capital	12,593	12,593	12,593	12,593	**12,593**
Reserves	44,461	52,538	59,759	74,938	**63,810**
Total equity attributable to equity shareholders of the Company	57,054	65,131	72,352	87,531	**76,403**
Minority interests	1,917	2,680	818	970	**554**
Total equity	58,971	67,811	73,170	88,501	**76,957**

(Expressed in United States dollars)

	Year ended 31 March 2005 $'000	Year ended 31 March 2006 $'000	Year ended 31 March 2007 $'000	Year ended 31 March 2008 $'000	**Year ended 31 March 2009 $'000**
Earnings per share					
Basic	2.17 cents	1.52 cents	1.42 cents	2.20 cents	**1.09 cents**
Diluted	1.63 cents	1.32 cents	1.42 cents	2.20 cents	**1.09 cents**
Dividends	5,035	6,350	6,333	8,866	**5,066**