bauhaus

annual report 2009

BAUHAUS INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 483)

Contents


bauhaus

Segmental information

Turnover (HK$ Million)

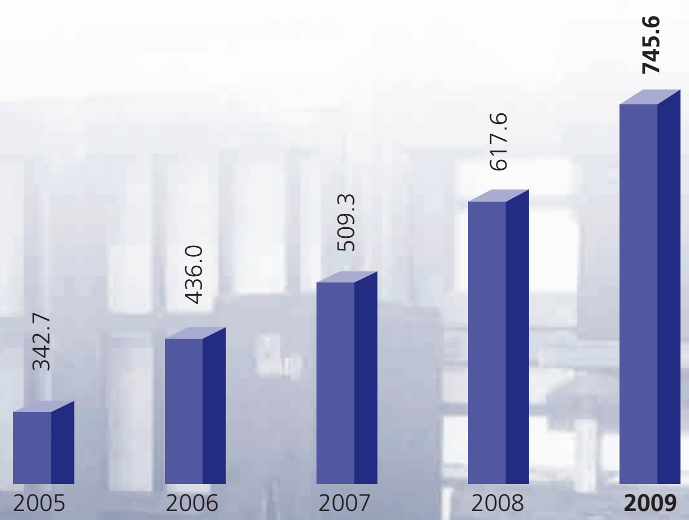
Market	2009	2008	% change
Retail Operation			
Hong Kong	453.6	432.6	↑ 4.9%
Macau	49.9	23.6	↑ 111.4%
Taiwan	89.3	61.6	↑ 45.0%
Mainland China	56.1	14.4	↑ 289.6%
	648.9	532.2	↑ 21.9%
Franchise Business			
Mainland China	58.1	38.9	↑ 49.4%
Wholesale Operation			
Elsewhere	38.6	46.5	↓ 17.0%
	745.6	617.6	↑ 20.7%

Retail network

	No. of outlets				
	Hong Kong	Macau	Taiwan	Mainland China	TOTAL
As at 31 March 2009					
Self-managed retail network					
BAUHAUS	31	2	5	5	43
TOUGH	9	1	21	11	42
SALAD	11	—	4	2	17
80/20	3	1	4	—	8
ELITE	4	—	—	—	4
ATTACHMENT	2	—	—	—	2
TOTAL number of shops	60	4	34	18	116
Aggregate floor area (in Sq. feet)	80,332	9,340	24,368	30,305	144,345
Franchise network					
TOUGH	—	—	—	57	57
SALAD	—	—	—	9	9
TOTAL number of shops	—	—	—	66	66

	No. of outlets				
	Hong Kong	Macau	Taiwan	Mainland China	TOTAL
As at 31 March 2008					
Self-managed retail network					
BAUHAUS	31	3	—	1	35
TOUGH	5	—	16	4	25
SALAD	10	—	4	1	15
80/20	3	—	3	—	6
ELITE	2	—	—	—	2
ATTACHMENT	1	—	—	—	1
TOTAL number of shops	52	3	23	6	84
Aggregate floor area (in Sq. feet)	73,875	11,890	13,015	5,778	104,558
Franchise network					
TOUGH	—	1	—	45	46
SALAD	—	—	—	8	8
TOTAL number of shops	—	1	—	53	54

Sales (HK$ Million)



Five Year Financial Summary

A summary of the consolidated results and assets and liabilities of the Group for the last three financial years and the pro forma consolidated results and assets and liabilities of the Group for the two preceding years, as extracted from published audited financial statements, which also set out the details of the basis of presentation and are restated/reclassified as appropriate, is set out below.

	Year ended 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	**745,599**	617,612	509,248	436,008	342,726
Cost of sales	**(232,233)**	(204,353)	(184,580)	(158,746)	(122,767)
Gross profit	**513,366**	413,259	324,668	277,262	219,959
Other income and gains	**2,909**	5,889	4,931	4,156	1,501
Selling and distribution costs	**(348,727)**	(260,831)	(198,036)	(169,954)	(128,209)
Administrative expenses	**(83,881)**	(77,564)	(58,953)	(48,387)	(35,571)
Other expenses	**(8,012)**	(1,369)	(5,848)	(1,622)	(910)
Finance costs	**—**	—	(236)	(397)	(201)
PROFIT BEFORE TAX	**75,655**	79,384	66,526	61,058	56,569
Tax	**(14,886)**	(12,349)	(9,301)	(10,197)	(10,012)
PROFIT FOR THE YEAR	**60,769**	67,035	57,225	50,861	46,557
Attributable to:					
Equity holders of the parent	**60,769**	67,035	57,225	50,861	47,065
Minority interests	**—**	—	—	—	(508)
	60,769	67,035	57,225	50,861	46,557
ASSETS AND LIABILITIES					
TOTAL ASSETS	**455,753**	432,493	373,389	325,692	194,944
TOTAL LIABILITIES	**(77,406)**	(68,522)	(43,573)	(34,710)	(51,513)
	378,347	363,971	329,816	290,982	143,431

		Notes	FY 08/09	FY 07/08	Change +/–
Key Financial Ratios					
Performance					
Gross Margin	(%)	1	**68.9**	66.9	+2.0%pts.
Net Profit Margin	(%)	2	**8.2**	10.9	–2.7%pts.
Return on Average Equity	(%)	3	**16.4**	19.3	–2.9%pts.
Return on Average Assets	(%)	4	**13.7**	16.6	–2.9%pts.
Operating					
Inventory Turnover Days		5	**196**	188	+8 days
Debtors' Turnover Days		6	**10**	12	–2 days
Creditors' Turnover Days		7	**28**	27	+1 day
Liquidity and Gearing					
Current Ratio		8	**4.2**	4.6	–8.7%
Quick Ratio		9	**2.4**	3.0	–20.0%
Per Share Data					
Book Value Per Share	(HK cents)	10	**105.26**	101.26	+4.0%
Earnings Per Share	(HK cents)	11	**16.91**	18.65	–9.3%
Dividend Per Share					
Interim	(HK cents)		**2.00**	2.50	–20.0%
Proposed Final	(HK cents)		**5.50**	5.00	+10.0%
Proposed Special	(HK cents)		**3.00**	6.00	–50.0%
			10.50	13.50	–22.2%

Notes:

1 "Gross Margin" is based on gross profit divided by turnover during the year.

2 "Net Profit Margin" is calculated as net profit divided by turnover during the year.

3 "Return on Average Equity" represents net profit during the year divided by average of opening and closing balance of shareholders' equity.

4 "Return on Average Assets" represents net profit during the year divided by average of opening and closing balance of total assets.

5 "Inventory Turnover Days" is based on average of opening and closing balance of inventories divided by cost of sales and then multiplied by number of days during the year.

6 "Debtors' Turnover Days" is based on average of opening and closing balance of trade and bills receivables divided by turnover and then multiplied by number of days during the year.

7 "Creditors' Turnover Days" is based on average of opening and closing balance of trade and bills payables divided by purchases and then multiplied by number of days during the year.

8 "Current Ratio" represents current assets divided by current liabilities.

9 "Quick Ratio" represents current assets less inventories then divided by current liabilities.

10 "Book Value Per Share" represents shareholders' equity divided by the total number of issued shares at the balance sheet date of 359,450,000 (2008: 359,450,000).

11 "Earnings Per Share" is calculated based on the profit for the year attributable to equity holders of the parent of HK$60,769,000 (2008: HK$67,035,000) and the weighted average number of ordinary shares in issue during the year under review of 359,450,000 (2008: 359,450,000).

NAME OF THE COMPANY

Bauhaus International (Holdings) Limited
包浩斯國際（控股）有限公司

DIRECTORS

Executive directors:

Mr. Wong Yui Lam *(Chairman and Chief Executive Officer)*
Madam Lee Yuk Ming
Mr. Yeung Yat Hang

Independent non-executive directors:

Mr. Chu To Ki
Mr. Mak Wing Kit
Dr. Wong Yun Kuen

COMPANY SECRETARY

Mr. Li Kin Cheong, CPA, FCCA

QUALIFIED ACCOUNTANT

Mr. Li Kin Cheong, CPA, FCCA

AUTHORISED REPRESENTATIVES

Mr. Wong Yui Lam
Madam Lee Yuk Ming

AUDIT COMMITTEE

Mr. Mak Wing Kit *(Chairman)*
Mr. Chu To Ki
Dr. Wong Yun Kuen

REMUNERATION COMMITTEE

Mr. Mak Wing Kit *(Chairman)*
Mr. Chu To Ki
Dr. Wong Yun Kuen

NOMINATION COMMITTEE

Dr. Wong Yun Kuen *(Chairman)*
Mr. Chu To Ki
Mr. Mak Wing Kit

PRINCIPAL AUDITORS

Ernst & Young, *Certified Public Accountants*
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road, Central
Hong Kong

Bank of China (Hong Kong) Limited
382–384 Prince Edward Road
Kowloon City
Kowloon
Hong Kong

INVESTOR RELATION

Strategic Financial Relations Limited
Unit A, 29/F, Admiralty Centre I,
18 Harcourt Road, Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1–1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 501, Sino Industrial Plaza
9 Kai Cheung Road
Kowloon Bay, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Bank (Cayman) Limited
Butterfield House
68 Fort Street, P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Listing information

Listing exchange	Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")
Listing date	12 May 2005
Stock code	483

Share information

Board lot size	2,000 shares
	As at 31 March 2009
Authorised shares	2,000,000,000 shares
Issued shares	359,450,000 shares
Par value	HK$0.10

	FY 2008/09	**FY 2007/08**
Basic earnings per share	HK 16.91 cents	HK 18.65 cents
Dividend per share		
Interim	HK 2.0 cents	HK 2.5 cents
Proposed final	HK 5.5 cents	HK 5.0 cents
Proposed special	HK 3.0 cents	HK 6.0 cents
TOTAL	HK 10.5 cents	HK 13.5 cents

Key dates

2008 annual results announcement	15 July 2008
Closure of Register of Members	20 August 2008 to 22 August 2008 *(both days inclusive)*
2008 annual general meeting	22 August 2008
Payment of 2008 final and special dividend	11 September 2008
2009 interim results announcement	16 December 2008
Closure of Register of Members	19 January 2009 to 21 January 2009 *(both days inclusive)*
Payment of 2009 interim dividend	3 February 2009
2009 annual results announcement	15 July 2009
Closure of Register of Members	25 August 2009 to 27 August 2009 *(both days inclusive)*
2009 annual general meeting	27 August 2009
Payable of proposed final and special dividends	18 September 2009

Internet website	www.bauhaus.com.hk
Financial year end	31 March

On behalf of the board of directors (the "Board"), I am pleased to present to shareholders the annual results of Bauhaus International (Holdings) Limited and its subsidiaries (the "Group") for the year ended 31 March 2009.

2008 was an extraordinary year for the world economy. Despite a stagnant market resulting from the economic downturn, with its strategic diversification efforts and branding and marketing strategies, the Group's business was affected to a limited extent. The weak retail sentiment did not stop the Group from achieving double-digit growth in turnover for the sixth year in a row. However, as a result of surging rental expenses and one-off impairment loss and write-off, the Group's net profit dropped slightly.

Consistent with our policy of distributing not less than 30% of the Group's net profit as dividends, the Board has recommended payment of a final dividend of HK5.5 cents along with a special dividend of HK3.0 cents. Combined with the interim dividend of HK2.0 cents already paid, total dividend for the year will be HK10.5 cents. To maintain a healthy financial position against the backdrop of economic uncertainties, the proposed special dividend for the financial year was less than that of last year.

Strategic diversification with prime focus on promising markets

During the year under review, we focused on diversifying the Group's business strategically, achieving better penetration in cities with high growth potential, such as first-tier cities in Mainland China and Taiwan. This approach and our ability to respond promptly and shrewdly to the adverse market environment paid off. We are delighted to see the Group transforming gradually from a local retailer into a regional trendy fashion supplier. Also, all regions in which we operated reported stable and satisfactory results.

Mainland China — our key growth driver

The overall performance of the Mainland China retail division during the financial year under review was encouraging. We took prompt actions to boost both sales growth and profits. Although the market environment is expected to remain uncertain, we pushed forward cautiously in expanding our business in major cities. In May 2009, the Group early terminated the lease of a loss-making mega store in Beijing. However, the Group did not stop looking for other prime but less expensive shop locations which is proof of its commitment to developing the Mainland China market.

Franchise business in Mainland China continued to be another growth engine of the Group. Despite the anticipated uncertain economic environment in the near future, we will continue to strengthen our distribution networks including fostering penetration of our franchise network in each city. Our aim is to capture as much as possible the immense growth potential in Mainland China.

We will replicate in Mainland China the successful business model in Taiwan. We believe, by putting resources into training local talents familiar with local culture and tastes, we will be able adapt to the local retail scene and better serve the needs of local customers. Our experience in Taiwan and the strong performance of the market have told us that having an efficient local management structure is instrument to achieving good performance in a market. Hence, for the Mainland China market, "localisation" will continue to be our major operational approach for facilitating long-term growth and development.

Hong Kong and Macau — our steady contributor

Although Mainland China will be our key growth driver in the future, Hong Kong and Macau will remain as our largest source of turnover. During the year under review, sales performance in the cities was satisfactory, which was attributable to the dedicated efforts of the Group's retail workforce and effective promotional and discount programmes to counter weak spending sentiment. Supported by our focused marketing and branding efforts, the Group offered a number of new in-house brands to the local market during the financial year under review targeting various market segments. This strategic move not only widened our customer base, but also improved our overall gross margin.

Taiwan — a high growth potential market

During the year, we were greatly encouraged by the robust development of our Taiwan operation. Riding on its skillful local sales teams and an extensive and well-coordinated retail network, our Taiwan business achieved a remarkable 45% growth in turnover. Also, during the year under review, we added 11 self-managed retail shops in Taiwan. We remain bullish on the Taiwan market as we have a solid foundation in the market which has shown good potential for continuous growth.

Premium brands ensure sustainable growth

Over the years, we have implemented successful marketing strategies in promoting our brands. As at 31 March 2009, we had self-managed retail outlets and franchise networks in Hong Kong, Macau, Taiwan and Mainland China under the brand names of "BAUHAUS", "TOUGH Jeansmith", "SALAD", "80/20", "ELITE" and "ATTACHMENT". The Group has a series of promotional initiatives plan in 2009 for celebrating the 15th anniversary of the brand "TOUGH Jeansmith". This is not only a milestone for the brand, but is also testimony to the effectiveness of our relentless branding efforts over the years. To ensure continuous growth, the Group has to find the most appropriate positioning for its in-house brands. It will keep increasing the proportion of sale of in-house brands, which will in turn boost its customer base and gross margin.

Prudent business approach to weather the challenging environment

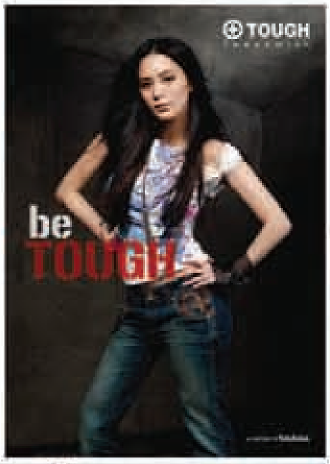
Although there are uncertainties ahead, we remain cautiously optimistic about the Group's prospects. By pushing on with diversification and implementing effective marketing strategies, the Group has grown its business in strong strides in the past few years. In the short term, we will continue to evaluate the impacts of the global economic crisis and surging rental expenses before making any investment decision. We believe prudence is the key to operating a business in tough times — taking a business through the storm and towards a new horizon after. Furthermore, we will continue to practise stringent cost control and watch our capital expenditures so as to safeguard our margin and ensure sustainable growth of our business in the long run.

Appreciation

On behalf of the Board, I would like to express gratitude to our shareholders, business partners, and customers for their unswerving support. I would also like to thank all employees for their dedication during these extraordinary times. At our concerted efforts, we shall continue to deliver good results in the years to come.

Wong Yui Lam
Chairman

Hong Kong, 15 July 2009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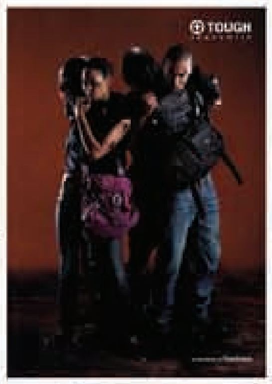
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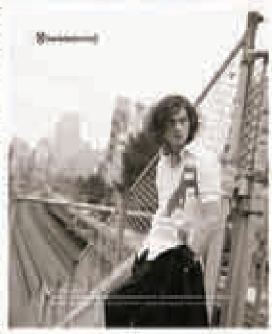
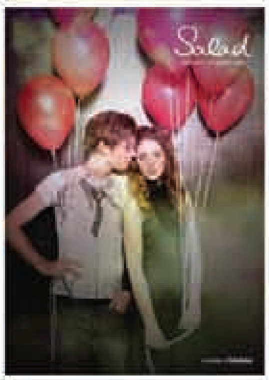
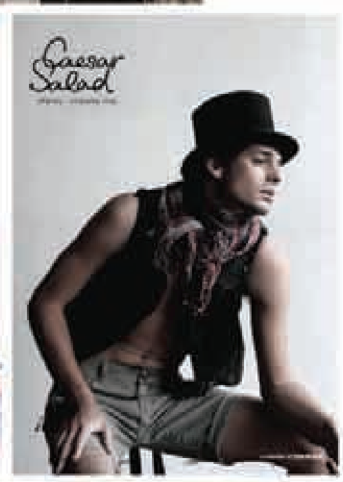



Salad


Salad


Caesar
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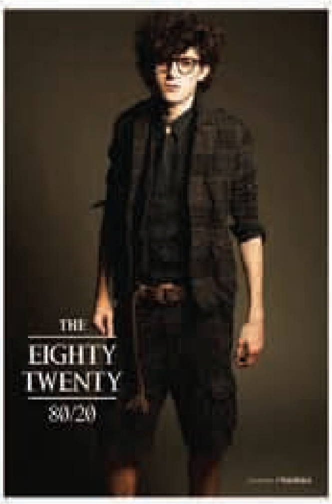
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BUSINESS REVIEW

In fiscal year 2008/09, the Group faced a challenging economic environment. The gloomy economic outlook and rising unemployment rate resulting from the global financial crisis in the second half of 2008 dealt a heavy blow on consumption sentiment and retail industries in various regions around the world. The Group's business during the year ended 31 March 2009 was thus inevitably affected, but fortunately to a limited extent thanks to the strategic efforts of the Group to diversify business in recent years and its prompt actions in tackling the adverse economic conditions.

During the year under review, the Group achieved for the sixth year double-digit growth in turnover at about 20.7% and in the total amount of about HK$745.6 million (2008: HK$617.6 million). However, as a result of surging rental expenses and a one-off impairment loss and write-off of about HK$5.1 million in relation to closure of certain loss-incurring retail shops, the Group's net profit dropped by about 9.3% to about HK$60.8 million for the year ended 31 March 2009 (2008: HK$67.0 million).

The Group is gradually transforming from a local retailer into a regional trendy fashion supplier. As at 31 March 2009, it had self-managed retail outlets and franchise network in Hong Kong, Macau, Taiwan and Mainland China under the brand names of "BAUHAUS", "TOUGH Jeansmith", "SALAD", "80/20", "ELITE" and "ATTACHMENT".

Retail operation

The business segment reported steady growth in turnover at about 21.9% to about HK$648.9 million for the year ended 31 March 2009 (2008: HK$532.2 million). Geographically, all markets, particularly Taiwan and Mainland China, achieved satisfactory sales growth.

Hong Kong and Macau

The retail operation in Hong Kong made turnover of about HK$453.6 million (2008: HK$432.6 million), a mild growth of about 4.9%, and accounted for about 60.8% of the Group's turnover during the year under review despite the slack local retail market. Retail business in Macau, however, performed outstandingly with turnover at about HK$49.9 million, doubling that of the previous year. (2008: HK$23.6 million).

The satisfactory sales performances during the year under review in the two markets were attributable to the dedicated efforts of the Group's retail staff and effective measures taken to counter the lack lustre economy. Apart from mounting focused promotional and discount programmes, particularly in the second half of fiscal year 2008/09, to stimulate demand, the Group also organised several large-scale bargain sale to reduce off-season and aged inventories. Furthermore, in line with its diversification strategy, the Group offered a number of new in-house brands that target different segments in the local market during the year under review. The move not only widened the Group's customer base, but has also improved its overall gross margin.

Taiwan

The retail operation in Taiwan remained robust. During the year ended 31 March 2009, its turnover from the market increased by a remarkable 45.0% to about HK$89.3 million (2008: HK$61.6 million), with the support of skillful sales teams and an extensive and well-coordinated retail network. The Group added 11 (at a net basis) self-managed retail shops in Taiwan during the year under review. Apart from traditional sales counters in departmental stores, the Group established new retail stores in prime shopping areas in Taipei and Taichung, which markedly enlarged distribution coverage. The Group has solid presence in Taiwan built over the years. It is a leading trendy fashion retailer in the market and will continue to carefully undergo business expansion.

Mainland China

During the year under review, retail sales in Mainland China became one of the Group's key growth drivers. It rocketed by about 289.6% to about HK$56.1 million (2008: HK$14.4 million), attributable to the relentless effort of the Group since September 2006 to penetrate the market through operation of self-managed retail outlets focusing strategically on selected first-tier cities. As at 31 March 2009, the Group operated 11 shops in Shanghai, 5 in Beijing and 2 in Guangzhou (2008: 6 in Shanghai).

As for the overall sales performance of the China retail division in the fiscal year 2008/09, it was encouraging, although high operating costs mainly attributable to rental expenses had critical impact on the division's profitability. During the year under review, certain retails shops in Mainland China operated at a very slight profit margin or at loss. Heeding the uncertain market environment, the Group terminated early the lease of a loss-incurring mega store in Beijing in May 2009 and shelved a development project in Guangzhou. As a result, an impairment loss for fixed assets and a write-off of rental deposits of about HK$4.1 million in aggregate were incurred for the year ended 31 March 2009. The Group, however, remains cautiously optimistic about the Mainland China retail market and will implement appropriate measures in response to changes in the market with the aim of enhancing profitability and ensuring healthy sales growth.

Franchise business

Franchise business in Mainland China continued to be another growth engine of the Group. Turnover from the segment was up by an impressive about 49.4% to about HK$58.1 million (2008: HK$38.9 million) for the year ended 31 March 2009. Years of dedicated efforts of the Group in promoting in-house brands has seen "TOUGH Jeansmith" and "SALAD" emerged as acclaimed brands in the country. In addition to boosting the footprint of its franchise network in Mainland China, the Group has also worked hard at facilitating penetration of the network in major cities. Although the macroeconomic environment is expected to continue to be uncertain in the near future, the Group will continue to grow and strengthen its distribution network so as to capture the immense growth potential in the Mainland China market with the aim of ensuring long-term sustainable growth of its franchise business in the country.

Wholesale operation

The Group's wholesale business covered various countries in Asia, Europe and the Middle East during the year under review. It recorded about 17.0% decline in turnover during the year to about HK$38.6 million (2008: HK$46.5 million). Hit by the economic downturn in the second half of fiscal year 2008/09, sales performance in the European market for the year slumped by about 43.4%. The Japanese market, however, had an unexpected about 9.9% improvement in turnover as compared with the fiscal year 2007/08. With a diversified customer base, the Group was able to effectively lower the risk of relying on a single market and the volatility of sales performance at large.

FINANCIAL REVIEW

Turnover

The Group recorded a double-digit growth in sales of about 20.7% to about HK$745.6 million (2008: HK$617.6 million). The strong growth was mainly driven by increase in retail and franchise sales by about 21.9% and 49.4% respectively despite wholesales business dropped by about 17.0%.

Gross profit

The gross profit of the Group was up by about 24.2% to about HK$513.4 million (2008: HK$413.3 million) in the fiscal year of 2008/09. The Group's gross margin improved by two percentage points from about 66.9% to about 68.9%, which was mainly resulted from the rise in average retail price and sales mix of in-house brand products. In general, the Group's in-house brand products bring about higher gross margin than goods of international brands and other vendors' brands sold by the Group. In addition to certain well-established in-house labels, like "TOUGH Jeansmith" and "SALAD", the Group also launched a group of new in-house labels to the market during the year under review. However, intensive and frequent discount and privilege sale offered to markets, particularly in the second half of fiscal year 2008/09, in response to the fierce market competition and weak spending sentiment limited the increment on the Group's gross margin.

Operating expenses

The operating environment during the year under review continued to be difficult and challenging. The Group's operating expenses soared by about 29.7% to about HK$440.6 million for the year ended 31 March 2009 (2008: HK$339.8 million). The overall operating expenses as a percentage of turnover was about 59.1% (2008: 55.0%).

The rental cost of land and buildings, which accounted for about 42.8% (2008: 40.9%) of the Group's operating expenses and represented about 25.3% (2008: 22.5%) of the Group's turnover, surged by about 35.7% to about HK$188.6 million (2008: HK$139.0 million) for the year under review because of the increase in market rents, number of retail outlets and gross shop areas. To release unreasonable rental burden and reduce operating costs, the Group strategically consolidated and re-allocated certain retail shops during the year under review and actively re-negotiated with landlords for rent cut upon renewal of leases. Followed recent economic downturn and as a result of proactive re-negotiation, the Group has obtained rent cut or short term rental concessions from some individual landlords.

Also a key operating cost, staff costs rose moderately by about 18.1% to about HK$136.8 million (2008: HK$115.8 million) during the year ended 31 March 2009. Competent and effective human resources are crucial support to the Group's sustainable expansion. The Group is committed to invest in its people and offers competitive remuneration packages to attract and retain quality employees. Besides, the Group also enhanced the system to motivate sale staff, to monitor their performance and to ensure high accountability and efficiency of its workforces in different regions.

With enlarged retail network among different regions, depreciation charges increased significantly to about HK$23.2 million (2008: HK$13.7 million) for the year ended 31 March 2009. Advertising, promotion and exhibition expenses amounted to about HK$16.1 million (2008: HK$9.8 million) or up by about 64.3%. The increase in such marketing expenses was mainly attributed to additional promotion and brand building efforts for newly launching in-house brands and enlarged retail business.

In response to uncertain market conditions and to improve profitability, the Group terminated leases of two non-performing retail shops one in Hong Kong and the other in Beijing and suspended a development project in Guangzhou in May 2009. As a result, a one-off impairment loss on fixed assets of the retail shops and a write-off of rental deposits of about HK$2.5 million and HK$2.6 million respectively were incurred for the year ended 31 March 2009.

The Group will continue to streamline both its local and overseas distribution networks, improve operational efficiency and trim operating costs.

Segment information

Detailed segment turnover and contribution to profit before tax of the Group are shown in note 4 to the consolidated financial statements.

Net profit

The Group's net profit attributable to equity shareholders declined by about 9.3% to about HK$60.8 million (2008: HK$67.0 million) for the year ended 31 March 2009. Net profit margin was also slashed from about 10.9% to about 8.2% as a result of soaring rental costs and a one-off impairment loss and write-off incurred in restructuring Group's retail network. Although some operating conditions were challenging under weak economic environment, the Group still saw and seized many opportunities in both the local and overseas markets to grow business. With appropriate and visionary strategies in action and prompt response to changing operating environments, the Group dedicated to resume sustainable growth in both turnover and profit in coming years.

CAPITAL STRUCTURE

As at 31 March 2009, the Group had net assets of approximately HK$378.3 million (2008: HK$364.0 million), comprising non-current assets of about HK$141.2 million (2008: HK$118.2 million), net current assets of about HK$240.3 million (2008: HK$246.6 million) and non-current liabilities of about HK$3.2 million (2008: HK$0.8 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2009, the Group had cash and cash equivalents of approximately HK$144.6 million (2008: HK$155.0 million). The Group had no gearing at the balance sheet date. As at 31 March 2009, the Group had aggregate banking facilities of approximately HK$22.0 million (2008: HK$21.0 million) comprising interest-bearing bank overdraft, rental and utility guarantees and import and export facilities, of which about HK$16.3 million had not been utilised.

CASH FLOWS

The Group had strong net cash inflow from operating activities of about HK$73.3 million (2008: HK$70.0 million), which was mainly attributable to the increase in the Group's revenue. Net cash outflow from investing activities dropped from about HK$40.5 million in 2008 to about HK$37.4 million in 2009. The Group continued to invest in expanding its self-managed retail network across Hong Kong, Macau, Taiwan and Mainland China during the year under review. Net cash outflow from financing activities during the year under review amounted to about HK$46.7 million (2008: HK$39.5 million) was resulted from payment of dividends to shareholders.

SECURITY

As at 31 March 2009, the Group's general banking facilities were secured by certain of its leasehold buildings and prepaid land lease payment with aggregate carrying value of approximately HK$6.5 million (2008: HK$6.6 million) and HK$3.3 million (2008: HK$3.4 million) respectively.

CAPITAL COMMITMENT

As at 31 March 2009, the Group had no material capital commitment (2008: HK$1.8 million) contracted but not provided for in the financial statements. The Company had no material capital commitment as at the balance sheet date (2008: Nil).

CONTINGENT LIABILITIES

As at 31 March 2009, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK$5.0 million (2008: HK$6.8 million). The Company had no material contingent liabilities as at the balance sheet date (2008: Nil).

HUMAN RESOURCES

Including all directors, the Group had 1,376 employees as at 31 March 2009 (2008: 1,325). To attract and retain high performance staff, the Group had provided competitive remuneration packages with performance bonuses, mandatory provident fund, insurance and medical coverage as well as entitlements to share options to be granted under a share option scheme based on employees' performance, experience and prevailing market rate. Remuneration packages were reviewed regularly. Regarding staff development, the Group provided regular in-house training to retail staff and subsidised them on external training programmes.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's sales and purchases during the year were mostly denominated in Hong Kong dollar, US dollar, Euro and Renminbi. The Group was exposed to limited foreign currency exchange risk and does not anticipate future currency fluctuations to cause material operational difficulties or liquidity problems. However, the Group will monitor its foreign exchange position and, when necessary, will hedge foreign exchange exposure arising from contractual commitments in sourcing apparel from overseas suppliers. The Group's objective and polices in foreign exchange risk management and other major financial risk management are set out in note 33 to the financial statements.

DIRECTORS

Executive Directors

Mr. Wong Yui Lam, aged 51, is the founder, the Chairman and the Chief Executive Officer of the Group. He is responsible for the overall management and strategic planning of the Group. Mr. Wong conceived the concept and brandname "TOUGH Jeansmith", the first in-house brand of the Group, and is responsible for overall development including design and direction of the brand. Mr. Wong has over 16 years of experience in fashion industry. He was awarded the Teacher's Certificate by Sir Robert Black College of Education in 1981.

Madam Lee Yuk Ming, aged 41, is the General Manager of the Group. She is responsible for implementation of corporate strategies and co-ordination among different departments and business units of the Group. Madam Lee is also responsible for administration, accounting and financial control functions of the Group. Madam Lee obtained a diploma in Management Studies from the Hong Kong Polytechnic University/Hong Kong Management Association in 1998. Madam Lee has over 19 years of experience in different areas including accounting, finance and management in Hong Kong. She joined the Group in April 2002.

Mr. Yeung Yat Hang, aged 32, is the Operation Manager of the Group. Mr. Yeung is responsible for overseeing leasing affairs of the Group's retail outlets and managing the Group's franchise business as well as various development projects. Mr. Yeung has extensive experience in project management, shop design and formulation of operational strategies. He joined the Group in May 1994 and had been a personal assistant to Mr. Wong Yui Lam for over 6 years.

Independent Non-Executive Directors

Dr. Wong Yun Kuen, aged 51, was appointed as an Independent Non-Executive Director on 1 May 2005. Dr. Wong received his Doctorate degree from Harvard University in 1989. Dr. Wong has worked in financial industries in the United States ("US") and Hong Kong for many years, and is a member of the Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited and an independent non-executive director of Golden Resorts Group Limited, Grand Field Group Holdings Limited, Kaisun Energy Group Limited, China Yunnan Tin Minerals Group Company Limited, Harmony Asset Limited, Superb Summit International Timber Company Limited, Kong Sun Holdings Limited, China E-Learning Group Limited, Climax International Company Limited and Hua Yi Copper Holdings Limited. All the aforesaid companies are listed either on the Main Board or GEM Board of the Stock Exchange of Hong Kong Limited.

Mr. Chu To Ki, aged 43, was appointed as an Independent Non-Executive Director on 1 May 2005. Mr. Chu graduated from the University of Hong Kong in June 1998 with Postgraduate Certificate in Laws and obtained from Manchester Metropolitan University a Bachelor Degree in Laws in September 1999. Mr. Chu was admitted as a solicitor of the High Court of Hong Kong in March 2000. Mr. Chu has over 19 years of working experience in the legal field in Hong Kong. Mr. Chu is currently a solicitor at Messrs. Wong, Fung & Co.

Mr. Mak Wing Kit, aged 41, was appointed as an Independent Non-Executive Director on 1 May 2005. Mr. Mak graduated from the Boston University in US in 1997 with a Master Degree of Science in Administrative Studies. Mr. Mak is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Mak has over 15 years of experience in auditing, accounting, company secretarial and financial control in Hong Kong. Mr. Mak is currently the financial controller of a private company based in Hong Kong and People's Republic of China ("PRC").

SENIOR MANAGEMENT

Mr. Chan Chi Keung, aged 58, is the General Manager — Production of the Group and the legal representative of 汕頭市包浩斯服飾製品有限公司 ("Bauhaus PRC"), a wholly-owned subsidiary of the Group. Mr. Chan is responsible for the supervision of production processes at the production site operated by the Group in the PRC and the sourcing of raw materials from suppliers in the PRC. Mr. Chan has over 23 years of manufacturing experience in the clothing and fashion accessory industry. Mr. Chan joined the Group in August 2001. Mr. Chan is the spouse of Madam Ho Kin Ching.

Madam Ho Kin Ching, aged 55, is the Production Manager of the Group and a director of Bauhaus PRC. Madam Ho is responsible for administration and inventory control of the production site in the PRC. She has over 23 years of experience in the clothing and fashion accessory industry. She joined the Group in August 2001. Madam Ho is the spouse of Mr. Chan Chi Keung.

Mr. Chan Chung Kai, aged 44, is the Strategic Marketing Director of the Group. Mr. Chan is responsible for the Group's strategic marketing plans, buying strategies and procurement of fashion labels. Mr. Chan has over 17 years experience in strategic marketing, brand development and visual merchandising and he had successfully introduced certain foreign brands into Hong Kong market with overwhelming responses. Prior to joining the Group in January 2007, Mr. Chan gained extensive strategic marketing experience in a fashion group.

Madam Fan Ching Shan, Susan, aged 46, is the Design & Merchandising Director of the Group. She is responsible for all activities concerning design direction, product planning, material and factory sourcing, production capacity planning as well as garment merchandising. Madam Fan obtained a diploma in management studies from the Hong Kong Management Association/HK Polytechnic University in 1999. Madam Fan has over 24 years of product development, merchandising, sales and marketing experience in Hong Kong and overseas markets. She joined the Group in July 2001.

Mr. Li Kin Cheong, aged 33, is the Financial Controller, Company Secretary and Qualified Accountant of the Group. He is responsible for overseeing the Group's financial management, accounting and company secretarial affairs. Mr. Li is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He holds a Master degree in Business Administration from The Chinese University of Hong Kong and a Bachelor degree in Accountancy from the Hong Kong Polytechnic University. He has over 11 years of experience in accounting, auditing, corporate finance and company secretarial affairs. Prior to joining the Group in June 2005, he was a manager of an international accounting firm.

Ms. Yue Sau Han, Shirley, aged 35, is the Retail Operation Manager of the Group. Ms. Yue is responsible for management of the Group's retail operations in Hong Kong. She has over 12 years solid experience in retail industry and specialises in fashion sales and promotion affairs. She had joined the Group since July 2000 and assisted the Group for 4 years until June 2004 to develop a sound and effective retail chains. She then re-joined the Group in August 2005.

Madam Chan Wai Chun, Candy, aged 43, is the Administration Manager of the Group. She is responsible for administration and human resources management of the Group. Madam Chan has over 19 years of shop management and administration experience in Hong Kong. She has been with the Group since the opening of its first Bauhaus shop in 1991.

The Company is committed to maintain good standard of corporate governance practices which serve as a vital element of risk management throughout the growth and expansion of the Company. The board of directors (the "Board") of the Company emphasises on maintaining and carrying out sound and effective corporate governance principles and structure. Throughout the year ended 31 March 2009, the Company has complied with the applicable code provision of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange except for the deviation from provision A.2.1 in respect of the roles of chairman and chief executive officer of the Company. Explanations for such non-compliance are discussed later in the section "Chairman and Chief Executive Officer" in this Corporate Governance Report.

BOARD OF DIRECTORS

The Board is collectively responsible for the management and operations of the Company, and is charged with a mission of promoting success and providing effective leadership and management to the Company. All Directors are aware of their collective and individual responsibilities to the shareholders, the duties to act honestly and in good faith in the interest of the shareholders and the Company as a whole and to avoid actual and potential conflict of interests.

The Board is responsible for formulating corporate strategies of the Company, setting goals and objectives for the management as well as monitoring and controlling the performance of the management. The management of the Company implements the strategic plans and deals with day-to-day operational matters of the Group under the delegation and authority of the Board.

In compliance with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive directors. The Board considers that all the independent non-executive directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of the shareholders of the Company.

The Company has received from each of the independent non-executive directors an annual confirmation of their independence as required under Rule 3.13 of the Listing Rules. The Company considered all the independent non-executive directors to be independent. The independent non-executive directors are explicitly identified in all corporate communications.

Each of the independent non-executive directors has taken up the role as an independent non-executive director for an initial term of one year and is subject to retirement and re-election in accordance with the articles of association of the Company.

If a Director has conflict of interest in a transaction or proposal to be considered by the Board and which the Board has determined to be material, the individual Director concerned declares his/her interest and is required to abstain from voting. The matter is considered at a Board meeting with the presence of the independent non-executive directors who have no material interest in the transaction.

The Company has arranged appropriate liability insurance cover to indemnify the Directors from their liabilities arising out of corporate activities. The insurance coverage will be reviewed regularly to ensure its effectiveness and sufficiency.

As at 31 March 2009, the Board comprised six directors including three executive directors and three independent non-executive directors. The biographical details of the Directors are set out in the "Directors and Senior Management" section of this Annual Report.

BOARD OF DIRECTORS *(Continued)*

The members of the Board for the year ended 31 March 2009 and up to the date of this report are as follows:

Executive Directors

Mr. Wong Yui Lam *(Chairman and Chief Executive Officer)*
Madam Tong She Man, Winnie (Removed on 25 March 2009)
Madam Lee Yuk Ming
Mr. Yeung Yat Hang

Independent Non-Executive Directors

Mr. Chu To Ki
Mr. Mak Wing Kit
Dr. Wong Yun Kuen

The relationship among the members of the Board, if any, are disclosed under the section headed "Directors and Senior Management" of this Annual Report.

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of the chairman (the "Chairman") and chief executive officer (the "CEO") of the Company are not separated and are performed by the same person. Mr. Wong Yui Lam ("Mr. Wong") held and is currently holding both positions. Being the founder of the Group, Mr. Wong has substantial experience in fashion business industry. The Board considers that the present structure provides the Group with strong and consistent leadership which facilitates the development of the Group's business strategies and execution of its business plans in a most efficient and effective manner. The Board believes that it is in the best interest of the Company and its shareholders as a whole that Mr. Wong continues to assume the roles of the Chairman and the CEO.

BOARD MEETINGS

Board meetings are scheduled in advance and for regular Board meetings, notice of 14 days together with the agenda have been given to facilitate maximum attendance of the Directors. At the meeting, the Directors were provided with the relevant documents to be considered and approved. Draft minutes of Board meeting are circulated to all the Directors for comments. Minutes of Board meetings are taken by the company secretary of the Company and are available to all Directors.

Eleven Board meetings were held during the year under review and details of the Directors' attendance, on a named basis, are set out as follows:

Member of the Board	Attendance
Mr. Wong Yui Lam	11 out of 11
Madam Tong She Man, Winnie (Removed on 25 March 2009)	8 out of 11
Madam Lee Yuk Ming	11 out of 11
Mr. Yeung Yat Hang	11 out of 11
Mr. Chu To Ki	8 out of 11
Mr. Mak Wing Kit	8 out of 11
Dr. Wong Yun Kuen	7 out of 11

BOARD COMMITTEES

Audit Committee

The primary duties of audit committee are to make recommendation to the Board on the appointment, re-appointment and removal of external auditors, to approve the terms of engagement and remuneration of the external auditors, to review the Group's financial reporting and internal control systems, to monitor the integrity of the Group's financial statements for publication and also to oversee audit process.

The Board established an audit committee on 22 April 2005 with terms of references in compliance with the CG Code. The audit committee comprises three independent non-executive directors, namely, Mr. Mak Wing Kit, Mr. Chu To Ki and Dr. Wong Yun Kuen. Mr. Mak Wing Kit is the chairman of the audit committee. The committee members have appropriate professional qualifications and experiences in accounting, legal affairs, financial and business management. The committee members may call any meetings at any time when necessary or desirable.

Two meetings of the audit committee were held during the year under review and details of the Directors' attendance, on a named basis, are set out as follows:

Member of the audit committee	**Attendance**
Mr. Mak Wing Kit *(Chairman)*	2 out of 2
Mr. Chu To Ki	2 out of 2
Dr. Wong Yun Kuen	1 out of 2

During the year under review, the audit committee reviewed the Group's interim report and consolidated financial statements, the accounting principles and practices adopted by the Group, plans and findings of the annual audit from external auditors, internal control, risk management and financial reporting matters. In addition, the audit committee also reviewed and approved the external auditors' terms of engagement and remuneration and recommended the Board for re-appointment of the external auditors.

Remuneration Committee

The primary duties of remuneration committee are to make recommendations to the Board on the policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration, to review, determine and approve the terms of remuneration packages, performance-based bonus and other compensation to executive directors and senior management of the Company to ensure such remuneration or compensation is reasonable and not excessive.

The Board established a remuneration committee on 22 April 2005 with terms of references in compliance with the CG Code. The remuneration committee comprises three independent non-executive directors, namely, Mr. Mak Wing Kit, Mr. Chu To Ki and Dr. Wong Yun Kuen. Mr. Mak Wing Kit is the chairman of the remuneration committee. The committee members may call any meetings at any time when necessary or desirable.

Two meetings of the remuneration committee were held during the year under review and details of the Directors' attendance, on a named basis, are set out as follows:

Member of the remuneration committee	**Attendance**
Mr. Mak Wing Kit *(Chairman)*	2 out of 2
Mr. Chu To Ki	2 out of 2
Dr. Wong Yun Kuen	2 out of 2

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

During the year under review, the remuneration committee considered and reviewed remuneration policy, which is to enable the Group to retain and motivate staff to meet corporate goals and to support continuous development of the Group. The remuneration package of each director and senior management of the Company is determined by reference to his/her duties and responsibilities, experience and qualifications, prevailing market conditions and both corporate and individual performance. Subject to the Group's profitability, the Group may also provide discretionary bonus to its employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the Company's executive directors is to enable the Company to retain and motivate executive directors by linking their compensation with performance as measured against corporate objectives achieved. The remuneration committee also approved performance-based bonus to the executive directors of the Company and reviewed annual salary adjustments to staff.

Nomination Committee

Nomination committee is mainly responsible for making recommendations to the Board on appointment of Directors and management of Board succession. The Board established a nomination committee on 22 April 2005 with terms of references in compliance with the CG Code. The nomination committee comprises three independent non-executive directors, namely, Dr. Wong Yun Kuen, Mr. Chu To Ki and Mr. Mak Wing Kit. Dr. Wong Yun Kuen is the chairman of the nomination committee. The committee members may call any meetings at any time when necessary or desirable.

No meeting was held during the year under review as there was no candidate being nominated as new director or to fill causal vacancy upon resignation or retirement of the Directors. According to the articles of association of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years. At a Board meeting with the presence of the independent non-executive directors held on 15 July 2009, the Directors have reviewed the performance of Mr. Wong Yui Lam and Mr. Chu To Ki, the directors who will retire at the forthcoming annual general meeting of the Company, and approved to recommend the re-election of such directors at the forthcoming annual general meeting of the Company.

EXTERNAL AUDITORS AND AUDITORS REMUNERATION

The Group appointed Ernst & Young as the Group's principal auditors. The acknowledgement of their responsibilities on the financial statements are set out in the section of "Independent Auditors' Report "on page 34 of this Annual Report.

The fees paid or payable to Ernst & Young, and its affiliated firms, for services rendered in respect of the year ended 31 March 2009 are as follows:

	Year ended 31 March 2009 HK$'000	Year ended 31 March 2008 HK$'000
Audit services	**1,485**	1,635
Non-audit services	**574**	662
Total	**2,059**	2,297

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flows of the Group for that year and in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 March 2009, the Directors have selected appropriate accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records which disclose the financial position of the Group with reasonable accuracy at any time.

INTERNAL CONTROL

The Group maintained a structure with defined lines of responsibility and appropriate delegation of duties and authority to management. The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness through the audit committee. The Board requires management to establish and maintain sound and effective internal controls, which covered all material controls, including financial, operational and compliance and risk management functions. The Board conducted a review of effectiveness of the internal control system of the Group and also communicated regularly with the audit committee and the external auditors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the Directors of the Company. Based on specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year under review.

COMMUNICATION WITH INVESTORS AND SHAREHOLDERS

To enhance transparency and effectively communicate with the investment community, the executive directors and senior management of the Company maintains close communications with various investors, research analysts, fund managers and the media by convening presentations at results announcement, one-on-one meetings and press conferences.

The Board also welcomes the views of shareholders on matters affecting the Company and encourages them to attend shareholders' general meeting to communicate directly with the Board. External auditors and board committee Chairman attends the general meeting and are available to answer shareholders enquiries. The important details and dates for shareholders during the year under review and in the coming financial year are set out in the section of "Information for Investors" on page 9 of this Annual Report.

In addition, annual/interim reports, announcements and press releases are posted on the Company's corporate website www.bauhaus.com.hk, which is constantly being updated in a timely manner and so contains additional information on the Group's business.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2009 and the state of affairs of the Company and the Group at that date are set out on pages 36 to 84 of this Annual Report.

An interim dividend of HK2.0 cents per ordinary share was paid on 3 February 2009. The directors recommended the payment of final and special dividends of HK5.5 cents and HK3.0 cents per ordinary share, respectively, in respect of the year to shareholders on the register of members on 27 August 2009. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 August 2009, to Thursday, 27 August 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final and special dividends, if approved, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 24 August 2009.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares at the time of its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in May 2005, after deduction of related issuance expenses, amounted to approximately HK$112.4 million. As at 31 March 2009, all the proceeds were applied in accordance with the proposed applications set out in the Company's listing prospectus dated 29 April 2005 and the announcement dated 13 February 2009 for the change of use of proceeds.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results and assets and liabilities of the Group for the last three financial years and the pro forma consolidated results and assets and liabilities of the Group for the two preceding years, as extracted from the published audited financial statements, which also set out the details of the basis of presentation and are restated/ reclassified as appropriate, is set out on page 6 of this Annual Report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of the Company's share capital are set out in note 26 to the financial statements.

No share options have been granted under the Company's share option scheme since its adoption on 22 April 2005. Details of the Company's share option scheme are set out in note 26 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2009, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to HK$233,441,000, of which an aggregate of HK$30,553,000 has been proposed as final and special dividends for the year. In addition, the Company's share premium account, in the amount of HK$87,875,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$580,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year and purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

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

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Mr. Wong Yui Lam *(Chairman and Chief Executive Officer)*
Madam Tong She Man, Winnie *(Vice-Chairman)* (Removed on 25 March 2009)
Madam Lee Yuk Ming
Mr. Yeung Yat Hang

Independent non-executive directors:
Mr. Chu To Ki
Mr. Mak Wing Kit
Dr. Wong Yun Kuen

In accordance with article 87 of the Company's articles of association, Mr. Wong Yui Lam and Mr. Chu To Ki will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") from each of the independent non-executive directors and still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 19 and 20 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing from 1 May 2005. The service contracts will continue thereafter until terminated by not less than six months' notice in writing served by either party on the other without payment of compensation. Under the service contracts, after each completed year of service, the remuneration payable to each of them may, subject to the discretion of the board of directors, be adjusted and they will each be entitled to a discretionary bonus provided that the total amount of bonuses payable to all the directors for such year shall not exceed HK$5 million. Each of the executive directors will be entitled to all the reasonable out-of-pocket expenses and medical expenses, housing benefits and reimbursements, the use of a car and the fuel and maintenance (including insurance) expenses in respect of the car used by him/her.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' remuneration is subject to approval by the remuneration committee with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2009, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept 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 Issuers (the "Model Code"), were as follows:

(a) Long positions in ordinary shares of the Company

	Number of shares held, capacity and nature of interest				
Name of director	Directly beneficiary owned	Through controlled corporation	Through a discretionary trust/as beneficially or trustee of trust	Total	Percentage of the Company's issued share capital
Mr. Wong Yui Lam	—	29,900,000 (note 1)	180,000,000 (note 1)	209,900,000	58.39%
Mr. Yeung Yat Hang	4,698,000	—	—	4,698,000	1.31%

Note:

1. 29,900,000 shares are held by Wonder View Limited ("Wonder View"), the entire issued share capital of which is beneficially owned by Mr. Wong Yui Lam, an executive director of the Company. 180,000,000 shares are held by Huge Treasure Investments Limited ("Huge Treasure") as trustee of The Wong & Tong Unit Trust, all units of which are owned by The Wong & Tong Family Trust, a discretionary trust established by Mr. Wong Yui Lam, the executive director of the Company and Madam Tong She Man, Winnie, a beneficial shareholder of the Company.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

(b) Long positions in shares of associated corporations

Name of associated corporation	Name of director	Capacity	Number of shares held	Percentage of the associated corporation's issued share capital
Huge Treasure (as trustee of The Wong & Tong Unit Trust)	Mr. Wong Yui Lam	Beneficial owner	1 share of US$1	50%
Tough Jeans Limited	Mr. Wong Yui Lam	Beneficial owner (note)	3 non-voting deferred shares of HK$1 each	60% of the issued non-voting deferred shares
Bauhaus Holdings Limited	Mr. Wong Yui Lam	Beneficial owner (note)	1 non-voting deferred share of HK$1 each	50% of the issued non-voting deferred shares

Note:
Mr. Wong Yui Lam is a non-voting shareholder of these companies. The holders of these non-voting deferred shares are not entitled to any dividends and have no voting rights.

Save as disclosed above, as at 31 March 2009, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2009, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

		Number of shares held, capacity and nature of interest			
Name	**Position**	**Directly beneficially owned**	**Through discretionary trust/as beneficiary or trustee of trust**	**Total**	**Percentage of the Company's issued share capital**
Huge Treasure (note 1)	Long position	180,000,000	—	180,000,000	50.08%
East Asia International Trustees Limited ("EAIT") (note 2)	Long position	—	180,000,000	180,000,000	50.08%
Wonder View (note 3)	Long position	29,900,000	—	29,900,000	8.32%
Great Elite Corporation ("Great Elite") (note 4)	Long position	36,114,000	—	36,114,000	10.05%

Notes:

1. The 180,000,000 shares are held by Huge Treasure as trustee of The Wong & Tong Unit Trust, all units of which are owned by The Wong & Tong Family Trust, a discretionary trust established by Mr. Wong Yui Lam, an executive director of the Company and Madam Tong She Man, Winnie, a beneficial shareholder of the Company.

2. EAIT is a licensed trustee in the British Virgin Islands and acts as trustee of The Wong & Tong Family Trust. By virtue of its capacity as trustee of The Wong & Tong Family Trust, EAIT is deemed to be interested in the shares held by Huge Treasure (as trustee of The Wong & Tong Unit Trust) under the SFO.

3. Wonder View is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. Wong Yui Lam.

4. Great Elite is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Madam Tong She Man, Winnie.

Save as disclosed above, as at 31 March 2009, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, has an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

The following continuing connected transactions are exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules, and the respective amounts have not exceeded the relevant annual cap approved by the Stock Exchange as disclosed in the announcement dated 24 September 2008.

Licence of software and provision of services

The Group entered into an agreement for the licence of software and the provision of services with Netideas Limited ("Netideas"), which is 100% beneficially owned by Mr. Wong Yui Hong, a brother of Mr. Wong Yui Lam, an executive director of the Company, and accordingly, Mr. Wong Yui Hong is a connected person of the Company under the Listing Rules. Under the agreement, Netideas grants to the Group the licence (the "Licence") and right to use the relevant modules of a software named Net-Retail Management System (the "Software") and the documentation relating to the Software in connection with the management of the retail business of the Group. The agreement was for a term of three years commencing from 1 October 2008 and ending on 30 September 2011.

For the year ended 31 March 2009, the aggregate amount paid by the Group to Netideas for the Licence amounted to HK$1,232,000 which has been accounted for as expenses in the Group's consolidated income statement.

Sourcing of equipment

Under the same agreement above, Netideas shall source and sell to the Group the computer equipment with the relevant hardware at prices no less favourable than the market prices of the equipment for the purpose of replacement, for upgrading the system, or for the expansion and development of the Group. This computer equipment and hardware will be used in the Group's retail stores, warehouses and offices.

For the year ended 31 March 2009, the aggregate amount paid by the Group for the sourcing of equipment was HK$649,000.

The following continuing connected transactions are exempt from the reporting, announcement or independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules and are included herein for information only.

Rental expenses paid to Sharp Woods Limited

The Group has agreed with Sharp Woods Limited ("Sharp Woods"), which is beneficially owned by Mr. Wong Yui Lam, the executive director of the Company and Madam Tong She Man, Winnie, a beneficial shareholder of the Company, to rent the car parking spaces in Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong, for a term of 1 year from 1 April 2008 to 31 March 2009.

Under the arrangement, the Group is required to pay Sharp Woods a monthly rental of HK$13,500 which is comparable to the market price available from independent third parties.

The rental paid by the Group to Sharp Woods under the arrangement amounted to HK$162,000 for the year ended 31 March 2009.

The independent non-executive directors have reviewed the above continuing connected transactions and confirmed that these continuing connected transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and

(3) 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 as a whole.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Wong Yui Lam
Chairman

Hong Kong
15 July 2009

Ernst & Young
安 永

Ernst & Young
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
Tel: +852 2846 9888
Fax: +852 2868 4432
www.ey.com

安永會計師事務所
香港中環金融街8號
國際金融中心2期18樓
電話: +852 2846 9888
傳真: +852 2868 4432

To the shareholders of
Bauhaus International (Holdings) Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Bauhaus International (Holdings) Limited set out on pages 36 to 84 of this Annual Report, 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, 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 auditors' 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 auditors consider 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 financial statements give a true and fair view of the state of affairs of the Company and of the Group 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.

Ernst & Young
Certified Public Accountants
Hong Kong
15 July 2009

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
REVENUE	5	**745,599**	617,612
Cost of sales		**(232,233)**	(204,353)
Gross profit		**513,366**	413,259
Other income and gains	5	**2,909**	5,889
Selling and distribution costs		**(348,727)**	(260,831)
Administrative expenses		**(83,881)**	(77,564)
Other expenses		**(8,012)**	(1,369)
PROFIT BEFORE TAX	6	**75,655**	79,384
Tax	9	**(14,886)**	(12,349)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	10	**60,769**	67,035
DIVIDENDS	11		
Interim		**7,189**	8,986
Proposed final		**19,770**	17,973
Proposed special		**10,783**	21,567
		37,742	48,526
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12		
Basic		**16.91 cents**	18.65 cents

31 March 2009

	Notes	**2009 HK$'000**	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**63,114**	50,699
Prepaid land lease payments	14	**11,610**	11,865
Intangible assets	15	**1,926**	1,632
Held-to-maturity debt securities	17	**1,932**	1,679
Deferred tax assets	19	**12,878**	8,082
Rental, utility and other non-current deposits		**49,721**	44,258
Total non-current assets		**141,181**	118,215
CURRENT ASSETS			
Inventories	20	**136,939**	112,160
Trade and bills receivables	21	**18,477**	22,861
Prepayments, deposits and other receivables	22	**11,398**	18,344
Prepaid land lease payments, current portion	14	**255**	255
Tax recoverable		**1,722**	1,773
Available-for-sale financial asset	18	**—**	3,900
Held-to-maturity debt securities	17	**1,166**	—
Cash and cash equivalents	23	**144,615**	154,985
Total current assets		**314,572**	314,278
CURRENT LIABILITIES			
Trade and bills payables	24	**16,021**	17,051
Other payables and accruals	25	**49,900**	46,242
Due to a related company	31(b)	**—**	307
Tax payable		**8,288**	4,077
Total current liabilities		**74,209**	67,677
NET CURRENT ASSETS		**240,363**	246,601
TOTAL ASSETS LESS CURRENT LIABILITIES		**381,544**	364,816
NON-CURRENT LIABILITIES			
Deferred tax liabilities	19	**3,197**	845
Net assets		**378,347**	363,971

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	26	**35,945**	35,945
Reserves	27(a)	**311,849**	288,486
Proposed dividends	11	**30,553**	39,540
Total equity		**378,347**	363,971

Wong Yui Lam
Chairman

Lee Yuk Ming
Director

Year ended 31 March 2009

	Note	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 27(a))	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000 (note 27(a))	Proposed dividends HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 April 2007		35,945	87,875	744	1,390	1,146	30,553	172,163	329,816
Exchange realignment and total income for the year recognised directly in equity		—	—	—	6,659	—	—	—	6,659
Profit for the year		—	—	—	—	—	—	67,035	67,035
Total income for the year		—	—	—	6,659	—	—	67,035	73,694
Transfer to reserve funds		—	—	—	—	48	—	(48)	—
Final 2007 dividend declared		—	—	—	—	—	(10,783)	—	(10,783)
Special 2007 dividend declared		—	—	—	—	—	(19,770)	—	(19,770)
Interim 2008 dividend	11	—	—	—	—	—	—	(8,986)	(8,986)
Proposed final 2008 dividend	11	—	—	—	—	—	17,973	(17,973)	—
Proposed special 2008 dividend	11	—	—	—	—	—	21,567	(21,567)	—
At 31 March 2008 and 1 April 2008		35,945	87,875*	744*	8,049*	1,194*	39,540	190,624*	363,971
Exchange realignment and total income for the year recognised directly in equity		—	—	—	336	—	—	—	336
Profit for the year		—	—	—	—	—	—	60,769	60,769
Total income for the year		—	—	—	336	—	—	60,769	61,105
Transfer to reserve funds		—	—	—	—	3,721	—	(3,721)	—
Final 2008 dividend declared		—	—	—	—	—	(17,973)	—	(17,973)
Special 2008 dividend declared		—	—	—	—	—	(21,567)	—	(21,567)
Interim 2009 dividend	11	—	—	—	—	—	—	(7,189)	(7,189)
Proposed final 2009 dividend	11	—	—	—	—	—	19,770	(19,770)	—
Proposed special 2009 dividend	11	—	—	—	—	—	10,783	(10,783)	—
At 31 March 2009		35,945	87,875*	744*	8,385*	4,915*	30,553	209,930*	378,347

* These reserve accounts comprise the consolidated reserves of HK$311,849,000 (2008: HK$288,486,000) in the consolidated balance sheet.

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**75,655**	79,384
Adjustments for:			
Bank interest income	5	**(624)**	(2,188)
Depreciation	6	**23,195**	13,705
Loss on disposal of items of property, plant and equipment	6	**1,269**	931
Recognition of prepaid land lease payments	6	**255**	225
Write-off of intangible assets	6	**—**	6
Write-off of rental deposits	6	**2,578**	—
Amortisation of intangible assets	6	**329**	444
Write-back of provision for slow-moving inventories, net	6	**(830)**	(5,994)
Impairment/(write-back of provision for impairment) of trade and bills receivables	6	**550**	(12)
Impairment of items of property, plant and equipment	6	**2,505**	—
		104,882	86,501
Increase in rental, utility and other non-current deposits		**(8,041)**	(13,863)
Increase in inventories		**(23,949)**	(5,269)
Decrease/(increase) in trade and bills receivables		**3,834**	(3,395)
Decrease/(increase) in prepayments, deposits and other receivables		**6,946**	(6,857)
Increase/(decrease) in trade and bills payables		**(1,030)**	7,163
Increase in other payables and accruals		**3,658**	17,441
Increase/(decrease) in an amount due to a related company		**(307)**	109
Cash generated from operations		**85,993**	81,830
Interest received		**624**	2,188
Hong Kong profits tax paid		**(3,852)**	(10,346)
Overseas taxes paid		**(9,493)**	(3,696)
Net cash inflow from operating activities		**73,272**	69,976
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(39,360)**	(33,674)
Proceeds from disposal of items of property, plant and equipment		**112**	23
Proceeds from maturity of available-for-sale financial assets		**3,900**	—
Increase in prepaid land lease payments	14	**—**	(5,016)
Additions to intangible assets	15	**(623)**	(184)
Purchases of held-to-maturity debt securities		**(1,419)**	(1,679)
Net cash outflow from investing activities		**(37,390)**	(40,530)

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM A FINANCING ACTIVITY			
Dividends paid and cash outflow from a financing activity		**(46,729)**	(39,539)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(10,847)**	(10,093)
Cash and cash equivalents at beginning of year		**154,985**	161,099
Effect of foreign exchange rate changes, net		**477**	3,979
CASH AND CASH EQUIVALENTS AT END OF YEAR		**144,615**	154,985
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**139,271**	102,722
Non-pledged time deposits with original maturity of less than three months when acquired	23	**5,344**	52,263
		144,615	154,985

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	**143,631**	143,631
CURRENT ASSETS			
Due from subsidiaries	16	**213,098**	147,197
Prepayment, deposits and other receivables	22	**139**	147
Cash and cash equivalents	23	**404**	46,465
Total current assets		**213,641**	193,809
CURRENT LIABILITIES			
Due to subsidiaries	16	**—**	1,800
Other payables and accruals	25	**11**	10
Total current liabilities		**11**	1,810
NET CURRENT ASSETS		**213,630**	191,999
Net assets		**357,261**	335,630
EQUITY			
Issued capital	26	**35,945**	35,945
Reserves	27(b)	**290,763**	260,145
Proposed dividends	11	**30,553**	39,540
Total equity		**357,261**	335,630

Wong Yui Lam
Chairman

Lee Yuk Ming
Director

1. CORPORATE INFORMATION

Bauhaus International (Holdings) Limited is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at Room 501, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong.

During the year, the Group was engaged in the manufacture and trading of garments and accessories.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Huge Treasure Investments Limited, which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an available-for-sale financial asset, which has been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gain and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	HKAS 19 — *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 1 (Revised)	*First-time Adoption of HKFRS* [2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments* [1]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items* [2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement* [5]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [2]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* [6]
HKFRSs (Amendments)	*Improvements to HKFRSs* [*7]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods ending on or after 30 June 2009
6 Effective for transfer of assets received on or after 1 July 2009
7 Effective for annual periods begining on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
* Improvements to HKFRSs contain amendments to HKFRS 2, HKFRS 5, HKFRS 7, HKFRS 8, HKAS 1, HKAS 7, HKAS 8, HKAS 10, HKAS 16, HKAS 17, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40, HKAS 41, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2%
Leasehold improvements	Over the lease terms
Plant and machinery	9% to 25%
Computer equipment	20% to 30%
Furniture, fixtures and equipment	18% to 25%
Motor vehicles	20% to 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Trademarks with definite useful lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their useful lives of 5 to 15 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest earned is reported as interest income and is recognised in the income statement as "Other income" in accordance with the policy set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and bills receivables and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for an available-for-sale financial asset when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial assets (Continued)

Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost

Financial liabilities, including trade and bills payables, other payables and an amount due to a related company, are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group's subsidiaries established in Mainland China participate in defined contribution retirement plans managed by the local municipal government of the region where they operate. The relevant authorities of the local municipal government in the People's Republic of China ("PRC") undertake the retirement obligations of the Group's employees. The Group has no obligation for the payment of retirement benefits beyond the monthly contributions. The contribution payable is charged as an expense to the income statement as and when incurred.

According to the existing relevant regulations in Taiwan, a subsidiary of the Group incorporated in Taiwan is required to participate in the retirement plan or scheme operated by the government of Taiwan (the "Taiwan Scheme") for the provision of pension benefits to its employees. This Taiwan subsidiary is required to contribute a certain percentage of its payroll costs to the Taiwan Scheme to fund the benefits. Contributions under the Taiwan Scheme are charged to the income statement as they become payable in accordance with the rules of the Taiwan Scheme, and the outstanding payment of the contribution is reflected on the balance sheet.

The subsidiaries of the Group incorporated in Macau make monthly contributions to the social security fund managed by the relevant authority of the local government, which undertake the retirement obligations of the Group's employees. The Group has no obligation for payment of retirement benefits beyond the monthly contributions. The contribution payable is charged as an expense to the income statement as and when incurred.

Dividends

Final and special dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim and special interim dividends are simultaneously proposed and declared, because the memorandum and articles of association of the Company grant the directors the authority to declare such dividends. Consequently, interim and special interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has not made any significant judgement, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimation of useful lives of items of property, plant and equipment

Management estimates the useful lives of items of property, plant and equipment when acquired based on the period over which the items of property, plant and equipment are expected to be available for use to the Group. The useful lives of items of property, plant and equipment are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying value of property, plant and equipment at 31 March 2009 was HK$63,114,000 (2008: HK$50,699,000). Further details are included in note 13 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment test of items of property, plant and equipment

Management estimates the recoverable amount of items of property, plant and equipment when an indication of impairment exists. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test. The carrying value of property, plant and equipment at 31 March 2009 was HK$63,114,000 (2008: HK$50,699,000). Further details are included in note 13 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 March 2009 was HK$136,000 (2008: HK$110,000). The amount of unrecognised tax losses at 31 March 2009 was HK$896,000 (2008: HK$2,426,000). Further details are included in note 19 to the financial statements.

Impairment of trade and bills receivables

The Group maintains an allowance for estimated losses arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade and bills receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers is to deteriorate so that the actual impairment losses might be higher than expected, the Group will be required to revise the basis of making the allowance, and its future results would be affected. The carrying value of trade and bills receivables at 31 March 2009 was HK$18,477,000 (2008: HK$22,861,000). Further details are included in note 21 to the financial statements.

Provision for inventories

Management reviews an aging analysis at each balance sheet date, and makes provision for obsolete items when events or change in circumstances show that the balance of inventories may not be realisable or are no longer suitable for production use. The Group carries out an inventory review at each balance sheet date and makes provision for obsolete items. The carrying value of inventories at 31 March 2009 was HK$136,939,000 (2008: HK$112,160,000). Further details of which are included in note 20 to the financial statement.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

Each of the Group's geographical segments represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of the other geographic segments. The Group's customer-based geographical segments are as follows:

(a) Hong Kong and Macau

(b) Taiwan

(c) Mainland China

(d) Elsewhere

In determining the Group's geographical segments, revenues and assets are attributed to the segments based on the location of the customers. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

With respect to the Group's secondary reporting by business segment, the Group has three business segments and each of them represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. The Group's business segments comprise:

(a) Retail operation segment engages in retail business through the operations of the Group's retail outlets;

(b) Wholesale operation segment engages in the sale of garments and accessories to customers for distribution; and

(c) Franchise business segment engages in the sale of garments and accessories to the designated franchisees for their own operations of retail business in the designated locations.

4. SEGMENT INFORMATION *(Continued)*

(a) Geographical segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments for the years ended 31 March 2009 and 2008.

	Hong Kong and Macau		Taiwan		Mainland China		Elsewhere		Eliminations		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	**503,899**	457,983	**89,241**	61,614	**114,309**	52,611	**38,150**	45,404	**—**	—	**745,599**	617,612
Intersegment sales	**—**	—	**40,115**	21,428	**10,891**	3,209	**—**	—	**(51,006)**	(24,637)	**—**	—
Total	**503,899**	457,983	**129,356**	83,042	**125,200**	55,820	**38,150**	45,404	**(51,006)**	(24,637)	**745,599**	617,612
Segment results	**60,612**	73,820	**16,911**	12,761	**22,049**	12,085	**6,814**	7,296	**—**	—	**106,386**	105,962
Bank interest income											**624**	2,188
Unallocated expenses											**(31,355)**	(28,766)
Profit before tax											**75,655**	79,384
Tax											**(14,886)**	(12,349)
Profit for the year attributable to equity holders of parent											**60,769**	67,035

4. SEGMENT INFORMATION *(Continued)*

(a) Geographical segments *(Continued)*

	Hong Kong and Macau 2009 HK$'000	Hong Kong and Macau 2008 HK$'000	Taiwan 2009 HK$'000	Taiwan 2008 HK$'000	Mainland China 2009 HK$'000	Mainland China 2008 HK$'000	Elsewhere 2009 HK$'000	Elsewhere 2008 HK$'000	Total 2009 HK$'000	Total 2008 HK$'000
Assets and liabilities										
Segment assets	**133,612**	148,286	**53,237**	27,576	**100,509**	53,911	**6,370**	12,251	**293,728**	242,024
Unallocated assets									**162,025**	190,469
Total assets									**455,753**	432,493
Segment liabilities	**38,958**	44,906	**3,418**	1,987	**22,114**	15,029	**1,431**	1,678	**65,921**	63,600
Unallocated liabilities									**11,485**	4,922
Total liabilities									**77,406**	68,522
Other segment information:										
Capital expenditure	**16,517**	24,801	**5,503**	1,944	**12,482**	2,636	**135**	103	**34,637**	29,484
Unallocated capital expenditure									**5,346**	9,390
									39,983	38,874
Depreciation	**12,994**	8,682	**2,747**	1,476	**4,374**	917	**187**	197	**20,302**	11,272
Unallocated depreciation									**2,893**	2,433
									23,195	13,705
Loss on disposal of items of property, plant and equipment	**1,065**	931	**37**	—	**152**	—	**15**	—	**1,269**	931
Recognition of prepaid land lease payments	**255**	225	**—**	—	**—**	—	**—**	—	**255**	225
Write-off of intangible assets	**—**	2	**—**	—	**—**	4	**—**	—	**—**	6
Write-off of rental deposits	**559**	—	**—**	—	**2,019**	—	**—**	—	**2,578**	—
Amortisation of intangible assets	**70**	77	**32**	34	**17**	31	**210**	302	**329**	444
Impairment/(write-back of provision for impairment) of trade and bills receivables	**—**	—	**—**	—	**—**	—	**550**	(12)	**550**	(12)
Impairment of items of property, plant and equipment	**445**	—	**—**	—	**2,060**	—	**—**	—	**2,505**	—

4. SEGMENT INFORMATION *(Continued)*

(b) Business segments

The following tables present revenue and certain asset and expenditure information for the Group's business segments for the years ended 31 March 2009 and 2008.

	2009 HK$'000	2008 HK$'000
Segment revenue:		
Sales to external customers:		
Retail	**648,899**	532,220
Wholesale	**38,558**	46,536
Franchise	**58,142**	38,856
	745,599	617,612
Other segment information:		
Segment assets:		
Retail	**280,772**	226,111
Wholesale	**10,793**	15,472
Franchise	**2,163**	441
	293,728	242,024
Corporate and other unallocated assets	**162,025**	190,469
Total assets	**455,753**	432,493
Capital expenditure:		
Retail	**31,523**	28,019
Wholesale	**1,273**	1,314
Franchise	**1,841**	151
	34,637	29,484
Corporate and other unallocated amounts	**5,346**	9,390
Total capital expenditure	**39,983**	38,874

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and sales tax during the year.

An analysis of revenue, other income and gains is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Revenue		
Sale of garment products and accessories	**745,599**	617,612
Other income		
Bank interest income	**624**	2,188
Others	**2,285**	1,766
	2,909	3,954
Gains		
Foreign exchange differences, net	**—**	1,935
	2,909	5,889

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Group	
		2009	2008
	Notes	**HK$'000**	HK$'000
Cost of inventories sold		**233,063**	210,347
Depreciation	13	**23,195**	13,705
Write-back of provision for slow-moving inventories, net, included in cost of sales		**(830)**	(5,994)
Rental expenses under operating leases in respect of equipment:			
Minimum lease payments		**597**	554
Contingent rents		**63**	67
		660	621
Rental expenses under operating leases in respect of land and buildings:			
Minimum lease payments		**163,971**	120,136
Contingent rents		**24,658**	18,905
		188,629	139,041
Auditors' remuneration		**1,751**	1,874
Recognition of prepaid land lease payments	14	**255**	225
Employee benefits expense (excluding directors' remuneration (note 7)):			
Wages, salaries and other benefits		**123,947**	105,516
Pension scheme contributions*		**6,037**	4,849
		129,984	110,365
Other expenses:			
Loss on disposal of items of property, plant and equipment		**1,269**	931
Amortisation of intangible assets	15	**329**	444
Write-off of intangible assets	15	**—**	6
Write-off of rental deposits		**2,578**	—
Impairment/(write-back of provision for impairment) of trade and bills receivables	21	**550**	(12)
Impairment of items of property, plant and equipment	13	**2,505**	—
Exchange loss, net		**781**	—
		8,012	1,369

* At the balance sheet date, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2008: Nil).

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Fees	**360**	360
Other emoluments:		
Salaries, allowances and benefits in kind	**5,231**	4,124
Performance related bonuses*	**268**	878
Compensation for loss of office	**898**	—
Pension scheme contributions	**47**	48
	6,444	5,050
	6,804	5,410

* Certain executive directors of the Company are entitled to bonus payments which are determined based on the operating results of the Group.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2009	2008
	HK$'000	HK$'000
Mr. Chu To Ki	**120**	120
Mr. Mak Wing Kit	**120**	120
Dr. Wong Yun Kuen	**120**	120
	360	360

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

7. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Compensation for loss of office HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2009						
Mr. Wong Yui Lam	**—**	**1,300**	**100**	**—**	**12**	**1,412**
Madam Tong She Man, Winnie	**—**	**1,697**	**—**	**898**	**11**	**2,606**
Madam Lee Yuk Ming	**—**	**1,128**	**84**	**—**	**12**	**1,224**
Mr. Yeung Yat Hang	**—**	**1,106**	**84**	**—**	**12**	**1,202**
	—	**5,231**	**268**	**898**	**47**	**6,444**
2008						
Mr. Wong Yui Lam	—	1,200	200	—	12	1,412
Madam Tong She Man, Winnie	—	1,220	300	—	12	1,532
Madam Lee Yuk Ming	—	912	198	—	12	1,122
Mr. Yeung Yat Hang	—	792	180	—	12	984
	—	4,124	878	—	48	5,050

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: Nil).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2008: three) executive directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining two (2008: two) non-director, highest paid employees for the year are as follows:

	Group 2009 HK$'000	2008 HK$'000
Salaries, allowances and benefits in kind	**2,100**	2,100
Performance related bonuses	**900**	900
Pension scheme contributions	**24**	24
	3,024	3,024

8. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2009	2008
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1
	2	2

9. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 March 2009. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the countries/ jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The PRC corporate income tax ("CIT") are applicable to the two (2008: two) subsidiaries located in Mainland China. Currently, one of them is entitled to tax holidays with a full exemption of CIT for the first two profit-making years, followed by a 50% reduction of CIT for the succeeding three years. The other PRC subsidiary is registered as a foreign invested enterprise in the area of Shenzhen Special Economic Zone and is eligible for a concessionary CIT rate. Accordingly, these subsidiaries are subject to the applicable CIT rate ranging from 10% to 25% during the financial year ended 31 March 2009.

For the subsidiaries in Macau, one of them was incorporated under the Macau Offshore Business Law and exempted from the Macau complementary tax pursuant to the Macau Special Administration Region's offshore law (2008: Nil).

	Group	
	2009	2008
	HK$'000	HK$'000
Current tax — Hong Kong		
Provision for the year	**6,133**	8,328
Overprovision in prior years	**(506)**	(279)
Current tax — Elsewhere		
Provision for the year	**11,916**	5,104
Underprovision in prior years	**64**	—
Deferred tax credit (note 19)	**(2,721)**	(804)
Total tax charge for the year	**14,886**	12,349

9. TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax using the applicable rates for the countries/ jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group

2009

	Hong Kong HK$'000	**%**	**Elsewhere HK$'000**	**%**	**Total HK$'000**	**%**
Profit before tax	**16,797**		**58,858**		**75,655**	
Tax at the statutory tax rate	**2,772**	**16.5**	**11,758**	**20.0**	**14,530**	**19.2**
Lower tax rate for specific provinces or enacted by local authority	**—**	**—**	**(148)**	**(0.3)**	**(148)**	**(0.2)**
Adjustments in respect of current tax of previous periods	**(506)**	**(3.0)**	**64**	**0.1**	**(442)**	**(0.5)**
Income not subject to tax	**(82)**	**(0.5)**	**(719)**	**(1.2)**	**(801)**	**(1.1)**
Expenses not deductible for tax	**183**	**1.1**	**272**	**0.5**	**455**	**0.6**
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**—**	**—**	**1,830**	**3.1**	**1,830**	**2.4**
Temporary differences not recognised	**656**	**3.9**	**(1,233)**	**(2.1)**	**(577)**	**(0.8)**
Tax losses not recognised	**39**	**0.2**	**—**	**—**	**39**	**0.1**
Tax charge at the Group's effective rate	**3,062**	**18.2**	**11,824**	**20.1**	**14,886**	**19.7**

2008

	Hong Kong HK$'000	%	Elsewhere HK$'000	%	Total HK$'000	%
Profit before tax	49,483		29,901		79,384	
Tax at the statutory tax rate	8,660	17.5	5,342	17.9	14,002	17.6
Lower tax rate for specific provinces or local authority	—	—	(51)	(0.2)	(51)	(0.1)
Adjustments in respect of current tax of previous periods	(279)	(0.6)	—	—	(279)	(0.3)
Income not subject to tax	(903)	(1.8)	(666)	(2.2)	(1,569)	(2.0)
Expenses not deductible for tax	171	0.3	4	—	175	0.2
Temporary differences not recognised	(65)	(0.1)	444	1.5	379	0.5
Tax losses utilised from previous periods	(313)	(0.6)	—	—	(313)	(0.4)
Tax losses not recognised	5	—	—	—	5	—
Tax charge at the Group's effective rate	7,276	14.7	5,073	17.0	12,349	15.5

10. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 March 2009 includes a profit of HK$68,360,000 (2008: HK$45,642,000) which has been dealt with in the financial statements of the Company (note 27(b)).

11. DIVIDENDS

	2009 **HK$'000**	2008 HK$'000
Interim — HK2.0 cents (2008: HK2.5 cents) per ordinary share	**7,189**	8,986
Proposed final — HK5.5 cents (2008: HK5.0 cents) per ordinary share	**19,770**	17,973
Proposed special — HK3.0 cents (2008: HK6.0 cents) per ordinary share	**10,783**	21,567
	37,742	48,526

The proposed final and proposed special dividends for the current year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the parent of HK$60,769,000 (2008: HK$67,035,000) and the number of ordinary shares in issue during the year of 359,450,000 (2008: 359,450,000).

Diluted earnings per share amounts have not been presented as no diluting events existed during the years ended 31 March 2009 and 2008.

13. PROPERTY, PLANT AND EQUIPMENT

Group

31 March 2009	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Computer equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 March 2008 and 1 April 2008:							
Cost	14,538	48,561	4,324	9,471	17,420	2,323	96,637
Accumulated depreciation and impairment	(1,028)	(25,450)	(1,072)	(6,356)	(9,997)	(2,035)	(45,938)
Net carrying amount	13,510	23,111	3,252	3,115	7,423	288	50,699
At 1 April 2008, net of accumulated depreciation and impairment	13,510	23,111	3,252	3,115	7,423	288	50,699
Additions	—	29,875	471	2,234	6,197	583	39,360
Depreciation provided during the year	(310)	(17,255)	(534)	(1,557)	(3,297)	(242)	(23,195)
Disposals	(5)	(1,305)	—	(11)	(60)	—	(1,381)
Impairment	—	(2,505)	—	—	—	—	(2,505)
Exchange realignment	(11)	69	77	12	(11)	—	136
At 31 March 2009, net of accumulated depreciation and impairment	13,184	31,990	3,266	3,793	10,252	629	63,114
At 31 March 2009:							
Cost	14,466	75,412	4,891	10,451	22,695	2,552	130,467
Accumulated depreciation and impairment	(1,282)	(43,422)	(1,625)	(6,658)	(12,443)	(1,923)	(67,353)
Net carrying amount	13,184	31,990	3,266	3,793	10,252	629	63,114

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

31 March 2008	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Computer equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 April 2007:							
Cost	13,117	32,597	3,201	7,207	12,125	2,323	70,570
Accumulated depreciation and impairment	(715)	(22,605)	(614)	(5,196)	(8,553)	(1,878)	(39,561)
Net carrying amount	12,402	9,992	2,587	2,011	3,572	445	31,009
At 1 April 2007, net of accumulated depreciation and impairment	12,402	9,992	2,587	2,011	3,572	445	31,009
Additions	1,421	22,590	816	2,407	6,440	—	33,674
Depreciation provided during the year	(313)	(9,013)	(417)	(1,315)	(2,490)	(157)	(13,705)
Disposals	—	(684)	(83)	(25)	(162)	—	(954)
Exchange realignment	—	226	349	37	63	—	675
At 31 March 2008, net of accumulated depreciation and impairment	13,510	23,111	3,252	3,115	7,423	288	50,699
At 31 March 2008:							
Cost	14,538	48,561	4,324	9,471	17,420	2,323	96,637
Accumulated depreciation and impairment	(1,028)	(25,450)	(1,072)	(6,356)	(9,997)	(2,035)	(45,938)
Net carrying amount	13,510	23,111	3,252	3,115	7,423	288	50,699

At 31 March 2009, certain of the Group's buildings with an aggregate net book value of approximately HK$6,455,000 (2008: HK$6,598,000) were pledged to secure general banking facilities granted to the Group.

14. PREPAID LAND LEASE PAYMENTS

	Group 2009 HK$'000	2008 HK$'000
Carrying amount at 1 April	**12,120**	7,329
Additions	**—**	5,016
Recognised during the year (note 6)	**(255)**	(225)
Carrying amount at 31 March	**11,865**	12,120
Current portion	**(255)**	(255)
Non-current portion	**11,610**	11,865

The leasehold lands are held under medium term leases and are situated in Hong Kong and Macau with carrying amounts of HK$9,344,000 (2008: HK$9,546,000) and HK$2,521,000 (2008: HK$2,574,000), respectively.

At 31 March 2009, certain of the Group's prepaid land lease payments with an aggregate net carrying value of approximately HK$3,347,000 (2008: HK$3,421,000) were pledged to secure general banking facilities granted to the Group.

15. INTANGIBLE ASSETS

Trademarks

	Group 2009 HK$'000	2008 HK$'000
At 1 April:		
Cost	**3,370**	3,294
Accumulated amortisation and impairment	**(1,738)**	(1,396)
Net carrying amount	**1,632**	1,898
Cost at beginning of year, net of accumulated amortisation and impairment	**1,632**	1,898
Additions	**623**	184
Amortisation provided during the year (note 6)	**(329)**	(444)
Write-off during the year (note 6)	**—**	(6)
At 31 March	**1,926**	1,632
At 31 March:		
Cost	**3,934**	3,370
Accumulated amortisation and impairment	**(2,008)**	(1,738)
Net carrying amount	**1,926**	1,632

16. INTERESTS IN SUBSIDIARIES

	Company 2009 HK$'000	2008 HK$'000
Unlisted shares, at cost	**143,631**	143,631

The balances with subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and repayable on demand.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Bauhaus Investments (BVI) Limited*	British Virgin Islands	Ordinary US$1,000	100	—	Investment holding
Bauhaus Holdings Limited	Hong Kong	Non-voting deferred HK$2 and ordinary HK$2	—	100	Trading of garments and accessories
Tough Jeans Retail Limited	Hong Kong	Ordinary HK$2	—	100	Trading of garments and accessories
Tough Jeans Limited	Hong Kong	Non-voting deferred HK$5 and ordinary HK$2	—	100	Trading of garments and accessories
Bauhaus Retail (Macau) Limited*	Macau	Ordinary MOP25,000	—	100	Trading of garments and accessories
Tough Jeans Macao Commercial Offshore Limited	Macau	Ordinary MOP100,000	—	100	Trading of garments and accessories
包豪氏企業有限公司	Taiwan	NT$500,000	—	100	Trading of garments and accessories
Wide World Development Limited	Hong Kong	Ordinary HK$1	—	100	Trading of garments and accessories

16. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Eighty Twenty Retail Limited	Hong Kong	Ordinary HK$1	—	100	Trading of garments and accessories
強韌貿易（深圳）有限公司*#	PRC/ Mainland China	HK$12,000,000	—	100	Trading of garments and accessories
汕頭市包浩斯服飾製品有限公司*#	PRC/ Mainland China	RMB20,000,000	—	100	Manufacture of garments and accessories
Bauhaus Property Limited	Hong Kong	Ordinary HK$2	—	100	Property holding
Bauhaus Management Limited	Hong Kong	Ordinary HK$1,000,000	—	100	Provision of management services

* The statutory financial statements of these subsidiaries were not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

These subsidiaries are registered as wholly-foreign-owned enterprises under the PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. HELD-TO-MATURITY DEBT SECURITIES

	Group	
	2009	2008
	HK$'000	HK$'000
Unlisted bonds, at amortised cost	**3,098**	1,679
Current portion	**(1,166)**	—
Non-current portion	**1,932**	1,679

These unlisted bonds have an aggregate nominal value of RMB2,710,000 (2008: RMB1,500,000), bear interest at rates ranging from 3% to 3.35% per annum and will mature between 2009 and 2010. The amortised costs of the held-to-maturity debt securities have been computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount.

18. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group	
	2009	2008
	HK$'000	HK$'000
Structured time deposit, at fair value	—	3,900

During the year, no gain or loss of the Group's available-for-sale financial asset has been recognised directly in equity (2008: Nil).

The principal amount of the above structured time deposit of HK$3,900,000 was repaid on its maturity date of 31 October 2008. Interest income was charged at a rate determined with reference to The London InterBank Offered Rate ("LIBOR") times the number of calendar days in the relevant period on which the LIBOR is within a pre-determined range. At 31 March 2008, the fair value of the available-for-sale financial asset had been estimated using a valuation technique based on the prevailing market interest rate. The directors believe that the estimated fair value resulting from such valuation technique, which was recorded directly in the consolidated balance sheet, was reasonable, and that it was the most appropriate value at that balance sheet date.

19. DEFERRED TAX

Group

Deferred tax assets

	Decelerated tax depreciation	**Losses available for offsetting against future taxable profits**	**Provision for unrealised profit on inventories**	**Other provisions**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2007	1,944	153	3,100	1,792	6,989
Deferred tax credited/(charged) to the income statement during the year*	145	(43)	900	(35)	967
Exchange realignment	—	—	—	126	126
At 31 March 2008 and 1 April 2008	2,089	110	4,000	1,883	8,082
Deferred tax credited/(charged) to the income statement during the year*	(29)	26	2,690	2,386	5,073
Exchange realignment	—	—	—	(277)	(277)
At 31 March 2009	2,060	136	6,690	3,992	12,878

19. DEFERRED TAX *(Continued)*

Group *(Continued)*

Deferred tax liabilities

	Accelerated tax depreciation HK$'000
At 1 April 2007	682
Deferred tax charged to the income statement during the year*	163
At 31 March 2008 and 1 April 2008	845
Deferred tax charged to the income statement during the year*	2,352
At 31 March 2009	3,197

* The total deferred tax credited to the consolidated income statement during the year amounted to HK$2,721,000 (2008: HK$804,000) (note 9).

At the balance sheet date, the Group had tax losses arising in Hong Kong of HK$896,000 (2008: HK$2,426,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2009, there was no significant unrecognised deferred tax liabilities (2008: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

20. INVENTORIES

	Group	
	2009 **HK$'000**	2008 HK$'000
Raw materials	**18,141**	22,274
Work in progress	**6,025**	6,584
Finished goods	**112,773**	83,302
	136,939	112,160

21. TRADE AND BILLS RECEIVABLES

	Group 2009 HK$'000	2008 HK$'000
Trade and bills receivables	**22,629**	26,921
Impairment	**(4,152)**	(4,060)
	18,477	22,861

Retail sales are made on cash terms or by credit card with very short credit terms. Wholesales are made to customers with general credit terms ranging from 30 days to 60 days, except for certain well-established customers with a long business relationship with the Group, where the terms are extended, while no credit terms were granted to sales to franchisees. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group's bills receivable are mostly settled on 30-day to 60-day terms. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	Group 2009 HK$'000	2008 HK$'000
Within 90 days	**17,710**	22,422
91 to 180 days	**767**	396
181 to 365 days	**—**	43
	18,477	22,861

The movements in provision for impairment of trade receivables are as follows:

	Group 2009 HK$'000	2008 HK$'000
At 1 January	**4,060**	4,384
Exchange realignment	**(458)**	276
Impairment losses recognised/(reversed) (note 6)	**550**	(12)
Amount written off as uncollectible	**—**	(588)
	4,152	4,060

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade receivables of HK$4,152,000 (2008: HK$4,060,000) with a carrying amount of HK$4,152,000 (2008: HK$4,060,000). The individually impaired trade and bills receivables relate to customers that were in financial difficulties or in liquidation and is not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

21. TRADE AND BILLS RECEIVABLES *(Continued)*

The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Neither past due nor impaired	**16,064**	20,654
Less than 3 months past due	**1,646**	2,167
3 to less than 12 months past due	**767**	40
	18,477	22,861

Receivables that were neither past due nor impaired relate to a large number of diversified 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, the directors of the Company are of the opinion that no provision for impairment 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. The Group does not hold any collateral or other credit enhancements over these balances.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		**Company**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**7,144**	10,967	**139**	139
Deposits and other receivables	**6,832**	7,377	**—**	8
Impairment	**(2,578)**	—	**—**	—
	11,398	18,344	**139**	147

Included in the above provision for impairment of deposits and other receivables is a provision for forfeited deposits due to early termination of the tenancy agreements of HK$2,578,000 (2008: Nil). The remaining financial assets included in the above balances relate to receivables for which there is no recent history of default.

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**139,271**	102,722	**404**	382
Non-pledged time deposits with original maturity of less than three months when acquired	**5,344**	52,263	**—**	46,083
Cash and cash equivalents	**144,615**	154,985	**404**	46,465

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$52,034,000 (2008: HK$30,412,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

24. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Within 90 days	**15,050**	16,654
91 to 180 days	**614**	176
181 to 365 days	**286**	179
Over 365 days	**71**	42
	16,021	17,051

The trade payables are non-interest-bearing and are normally settled on 30-day to 60-day terms.

25. OTHER PAYABLES AND ACCRUALS

Other payables are non-interest-bearing and are normally settled on 30-day to 60-day terms.

26. SHARE CAPITAL

Shares

	Company 2009 HK$'000	2008 HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
359,450,000 ordinary shares of HK$0.1 each	**35,945**	35,945

Share options

On 22 April 2005, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any consultants, advisers, managers or officers of the Group, and the Company's shareholders. The Scheme will remain in force for 10 years from the date of its adoption.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the proposed grantee). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one to ten years and ends on a date which is not later than ten years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the nominal value of a share; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

As at the date of this report, no option has been granted or agreed to be granted pursuant to the Scheme.

27. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 39 of this Annual Report.

The Group's contributed surplus as at 31 March 2009 and 2008 comprised (i) the waiver of an amount of HK$2,046,000 due to a company owned by a controlling shareholder of the Group arising from the purchases of goods by the Group during the year ended 31 March 2002; and (ii) the difference of HK$1,836,000 between the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation which amounted to approximately HK$1,936,000, and the share capital of the Company of HK$100,000; (iii) a transfer of HK$3,875,000 from the share premium account, which arose from the group reorganisation; and (iv) net-off the distribution of a special interim dividend totalling HK$7,013,000 during the year ended 31 March 2006.

In accordance with the relevant regulations applicable to wholly-foreign-owned enterprises in Mainland China and entities incorporated in Macau, a portion of the profits of the Company's subsidiaries which are registered in the PRC and Macau have been transferred to the reserve funds which are restricted to use.

(b) Company

	Note	Share premium account HK$'000	Contributed surplus** HK$'000	Proposed dividends HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2007		87,875	136,518	30,553	38,636	293,582
Profit for the year		—	—	—	45,642	45,642
Final 2007 dividend declared		—	—	(10,783)	—	(10,783)
Special 2007 dividend declared		—	—	(19,770)	—	(19,770)
Interim 2008 dividend	11	—	—	—	(8,986)	(8,986)
Proposed final 2008 dividend	11	—	—	17,973	(17,973)	—
Proposed special 2008 dividend	11	—	—	21,567	(21,567)	—
At 31 March 2008 and 1 April 2008		87,875*	136,518*	39,540	35,752*	299,685
Profit for the year		—	—	—	68,360	68,360
Final 2008 dividend declared		—	—	(17,973)	—	(17,973)
Special 2008 dividend declared		—	—	(21,567)	—	(21,567)
Interim 2009 dividend	11	—	—	—	(7,189)	(7,189)
Proposed final 2009 dividend	11	—	—	19,770	(19,770)	—
Proposed special 2009 dividend	11	—	—	10,783	(10,783)	—
At 31 March 2009		87,875*	136,518*	30,553	66,370*	321,316

* These reserve accounts comprise the reserves of HK$290,763,000 (2008: HK$260,145,000) in the balance sheet of the Company.

** The Company's contributed surplus comprises the excess of the fair value of the shares of the subsidiary acquired pursuant to the group reorganisation which amounted to HK$143,631,000 and the nominal value of the Company's shares issued in exchange for HK$100,000; net-off the distribution of a special interim dividend totalling HK$7,013,000 during the year ended 31 March 2006.

28. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Bank guarantees given in lieu of utility and property rental deposits	**4,968**	6,790

29. OPERATING LEASE ARRANGEMENTS

The Group, as lessee, leases its retail shops and certain of its warehouses under operating lease arrangements with lease terms ranging from one to ten years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2009	2008
	HK$'000	HK$'000
Within one year	**162,626**	129,921
In the second to fifth years, inclusive	**160,049**	168,172
Over five years	**6,058**	5,876
	328,733	303,969

The operating lease rentals of certain retail shops are based on the higher of a fixed rental and contingent rent based on the sales of the retail shops pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these retail shops could not be estimated reliably, the relevant contingent rent has not been included above and only the minimum lease commitment has been included in the above table.

No operating lease arrangements were engaged by the Company as at 31 March 2009 (2008: Nil).

30. COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group and the Company had no material capital commitments in respect of the acquisition of items of property, plant and equipment contracted, but not provided for in the financial statements as at 31 March 2009 (2008: HK$1,785,000).

31. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2009 HK$'000	2008 HK$'000
Computer system maintenance charges paid to a related company	(i)	**1,232**	1,051
Purchases of computer equipment from a related company	(ii)	**649**	1,172
Rental expenses paid to a related company	(iii)	**162**	198

Notes:

(i) The computer system maintenance charges paid to a related company were determined between the parties with reference to the actual staff costs incurred.

(ii) The purchases of computer equipment from a related company were made at prices and conditions with reference to those offered by major suppliers of the Group.

(iii) The rental expenses paid to a related company were determined between the parties with reference to the prevailing market rent.

The related company referred to in notes (i) and (ii) is a company controlled by a close family member of a director of the Company. The related company referred to in note (iii) is a company controlled by a director and a beneficial shareholder of the Company.

The above related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Outstanding balance with a related party

As disclosed in the consolidated balance sheet, the Group had outstanding advances payable to a related company of HK$307,000 as at 31 March 2008. The balance was unsecured, interest-free and repayable on demand.

As at 31 March 2008, the related company was a company controlled by a close family member of a director of the Company.

(c) All compensation of key management personnel of the Group is included in the directors' remuneration and the five highest paid employees as set out respectively in notes 7 and 8 to the financial statements.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2009

Financial assets

	Group		
	Loans and receivables HK$'000	**Held-to-maturity investments** HK$'000	**Total** HK$'000
Held-to-maturity debt securities	—	3,098	3,098
Financial assets included in rental, utility and other non-current deposits	47,131	—	47,131
Trade and bills receivables	18,477	—	18,477
Financial assets included in prepayments, deposits and other receivables	4,254	—	4,254
Cash and cash equivalents	144,615	—	144,615
	214,477	3,098	217,575

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	16,021
Financial liabilities included in other payables and accruals	15,210
	31,231

32. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(Continued)*

2008

Financial assets

	Group			
	Loans and receivables HK$'000	**Available-for-sale financial assets** HK$'000	**Held-to-maturity investments** HK$'000	**Total** HK$'000
Available-for-sale financial asset	—	3,900	—	3,900
Held-to-maturity debt securities	—	—	1,679	1,679
Financial assets included in rental, utility and other non-current deposits	42,303	—	—	42,303
Trade and bills receivables	22,861	—	—	22,861
Financial assets included in prepayments, deposits and other receivables	7,377	—	—	7,377
Cash and cash equivalents	154,985	—	—	154,985
	227,526	3,900	1,679	233,105

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	17,051
Financial liabilities included in other payables and accruals	10,263
Due to a related company	307
	27,621

32. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows: *(Continued)*

Financial assets

	Company	
	2009	2008
	Loans and receivables	Loans and receivables
	HK$'000	HK$'000
Due from subsidiaries	**213,098**	147,197
Financial assets included in prepayments, deposits and other receivables	**—**	8
Cash and cash equivalents	**404**	46,465
	213,502	193,670

Financial liabilities

	Company	
	2009	2008
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	HK$'000
Due to subsidiaries	**—**	1,800
Other payables	**5**	4
	5	1,804

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Group does not have any written financial risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its financial risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives or other financial instruments for hedging purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. As transactions denominated in currencies other than the functional currency are minimal, the exposure to foreign currency risk is not considered significant.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2009			
If Hong Kong dollar weakens against RMB	**(1)**	**1,144**	**—**
If Hong Kong dollar strengthens against RMB	**1**	**(1,144)**	**—**
2008			
If Hong Kong dollar weakens against RMB	(1)	761	—
If Hong Kong dollar strengthens against RMB	1	(761)	—

* Excluding retained earnings

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, held-to-maturity debt securities, deposits and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 21 to the financial statements.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank's credit facilities. The Group's policy is to minimise borrowings.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, is as follows:

Group

	2009			
	On demand HK$'000	**Less than 3 months HK$'000**	**3 to less than 12 months HK$'000**	**Total HK$'000**
Trade and bills payables	**651**	**15,370**	**—**	**16,021**
Other payables	**13,257**	**1,809**	**144**	**15,210**
	13,908	**17,179**	**144**	**31,231**

	2008		
	On demand HK$'000	Less than 3 months HK$'000	Total HK$'000
Trade and bills payables	1,068	15,983	17,051
Other payables	9,685	578	10,263
Due to a related company	307	—	307
	11,060	16,561	27,621

Company

	2009 On demand HK$'000	2008 On demand HK$'000
Due to subsidiaries	**—**	1,800
Other payables	**5**	4
	5	1,804

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2009 and 31 March 2008.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The Group's policy is to keep the current ratio above 1. The current ratios as at the balance sheet dates were as follows:

	2009 **HK$'000**	2008 HK$'000
Total current assets	**314,572**	314,278
Total current liabilities	**74,209**	67,677
Current ratio	**4.2**	4.6

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 July 2009.