bauhaus

annual report 2010

BAUHAUS INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code:483)

Contents


bauhaus


Salad

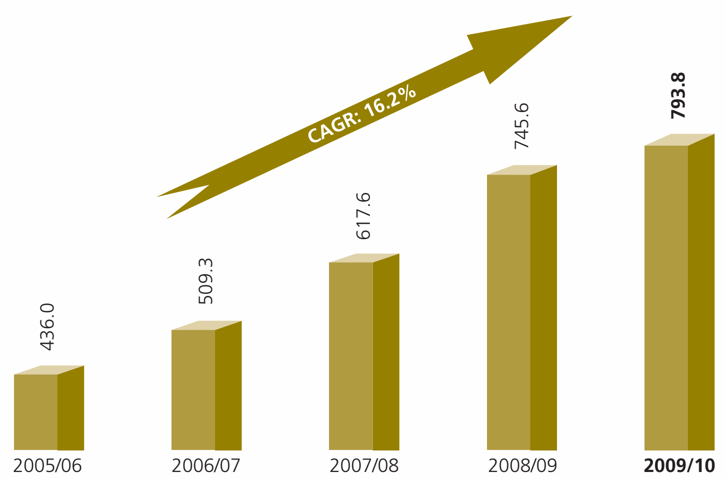
Segment Turnover

Market	Turnover 2010 HK$ million	Turnover 2009 HK$ million	Turnover Change %	Turnover Composition 2010 %	Turnover Composition 2009 %	Turnover Composition Change % pts
Hong Kong	474.0	453.9	↑ 4.4%	59.7%	60.9%	↓ 1.2%
Macau	52.6	49.9	↑ 5.4%	6.6%	6.7%	↓ 0.1%
Mainland China						
Self-managed Retail Business	75.4	56.2	↑34.2%			
Franchise Business	48.0	58.1	↓17.4%			
	123.4	114.3	↑ 8.0%	15.6%	15.3%	↑ 0.3%
Taiwan	113.3	89.3	↑26.9%	14.3%	12.0%	↑ 2.3%
Elsewhere	30.5	38.2	↓20.2%	3.8%	5.1%	↓ 1.3%
	793.8	745.6	↑ 6.5%	100.0%	100.0%	

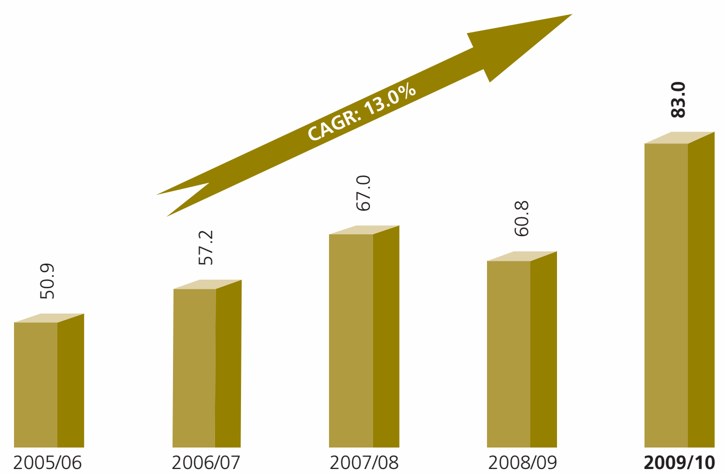
Retail network

	No. of outlets Hong Kong	Macau	Mainland China	Taiwan	TOTAL
As at 31 March 2010					
Self-managed retail network					
BAUHAUS	33	2	5	5	45
TOUGH	9	1	17	23	50
SALAD	8	—	1	6	15
80/20	3	—	1	4	8
ELITE	3	—	—	1	4
ATTACHMENT	1	—	—	—	1
Sub-total number of shops	57	3	24	39	123
Aggregate floor area (in Sq. feet)	80,347	8,590	32,555	27,390	148,882
Franchise network					
TOUGH	—	—	57	—	57
SALAD	—	—	13	—	13
Sub-total number of shops	—	—	70	—	70
TOTAL number of shops	57	3	94	39	193
As at 31 March 2009					
Self-managed retail network					
BAUHAUS	31	2	5	5	43
TOUGH	9	1	11	21	42
SALAD	11	—	2	4	17
80/20	3	1	—	4	8
ELITE	4	—	—	—	4
ATTACHMENT	2	—	—	—	2
Sub-total number of shops	60	4	18	34	116
Aggregate floor area (in Sq. feet)	80,332	9,340	30,305	24,368	144,345
Franchise network					
TOUGH	—	—	57	—	57
SALAD	—	—	9	—	9
Sub-total number of shops	—	—	66	—	66
TOTAL number of shops	60	4	84	34	182

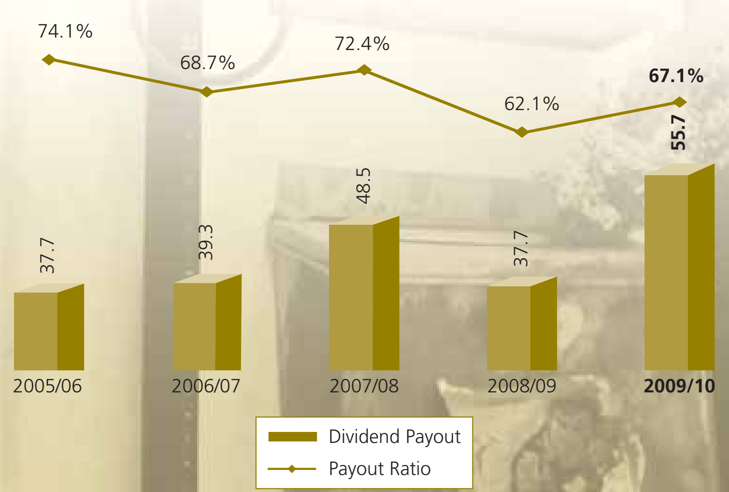
Turnover (HK$ Million)



Net Profit (HK$ Million)



Dividend (HK$ Million)

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		Notes	FY 09/10	FY 08/09	Change +/–
Key Financial Ratios					
Performance					
Gross Margin	(%)	1	**70.1**	68.9	+1.2% pts.
Net Profit Margin	(%)	2	**10.5**	8.2	+2.3% pts.
Return on Average Equity	(%)	3	**20.6**	16.4	+4.2% pts.
Return on Average Assets	(%)	4	**17.1**	13.7	+3.4% pts.
Operating					
Inventory Turnover Days		5	**201**	196	+5 days
Debtors' Turnover Days		6	**10**	10	–
Creditors' Turnover Days		7	**29**	28	+1 day
Liquidity and Gearing					
Current Ratio		8	**4.6**	4.2	+9.5%
Quick Ratio		9	**3.1**	2.4	+29.2%
Per Share Data					
Book Value Per Share	(HK cents)	10	**118.50**	105.26	+12.6%
Earnings Per Share	(HK cents)	11	**23.10**	16.91	+36.6%
Dividend Per Share					
Interim	(HK cents)		**2.00**	2.00	–
Proposed Final	(HK cents)		**8.50**	5.50	+54.5%
Proposed Special	(HK cents)		**5.00**	3.00	+66.7%
			15.50	10.50	+47.6%
Dividend Payout Ratio	(%)	12	**67.1**	62.1	+5.0% pts.

Notes:

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

2 "Net Profit Margin" is calculated as the profit for the year attributable to owners of the parent divided by turnover for the year.

3 "Return on Average Equity" represents the profit for the year attributable to owners of the parent divided by average of opening and closing balance of shareholders' equity.

4 "Return on Average Assets" represents the profit for the year attributable to owners of the parent 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 end of reporting period of 359,450,000 (2009: 359,450,000).

11 "Earnings Per Share" is calculated as the profit for the year attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the year under review of 359,450,000 (2009: 359,450,000).

12 "Dividend Payout Ratio" represents the aggregate dividends declared and proposed for the year under review divided by the profit for the year attributable to owners of the parent.

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

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Hong Kong

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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
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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
Par value	HK$0.10

Shares	**As at 31 March 2010** No. of shares	**As at 31 March 2009** No. of shares
Authorised shares	2,000,000,000	2,000,000,000
Issued shares	359,450,000	359,450,000

	FY 2009/10 HK cents	**FY 2008/09** HK cents
Basic earnings per share	23.10	16.91
Dividend per share		
Interim	2.00	2.00
Proposed final	8.50	5.50
Proposed special	5.00	3.00
TOTAL	15.50	10.50

Key dates

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
Payment of 2009 final and special dividend	18 September 2009
2010 interim results announcement	16 December 2009
Closure of Register of Members	19 January 2010 to 21 January 2010 *(both days inclusive)*
Payment of 2010 interim dividend	5 February 2010
2010 annual results announcement	15 July 2010
Closure of Register of Members	24 August 2010 to 26 August 2010 *(both days inclusive)*
2010 annual general meeting	26 August 2010
Payable of proposed final and special dividends	17 September 2010

Internet website www.bauhaus.com.hk

Financial year end 31 March

Interim period end 30 September

On behalf of the board of directors (the "Board"), I am pleased to present to shareholders the annual results of Bauhaus International (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2010.

Over the past year, the global financial downturn continued to negatively affect a broad spectrum of industries and markets and the retail clothing industry was no exception. However, with adversity brought opportunities and we exploited the current situation to strengthen our business foundation, thereby setting ourselves in a strong position to capture market share once the economic recovery begins to make full strides. As it has always been the Group's intent to focus on profitability over turnover, we sought to manage various costs, including rent, labour and other operating expenses. We were duly delighted to not only realise an increase in sales over the past year, but also significant improvement in net margin, thus substantiating the effectiveness of our efforts.

The Group is prudently optimistic on the continued improvement in the retail markets it engaged since the Group recorded an increase in average same-store sales growth in its self-managed shop portfolio of about 16% in general (with about 16% in Hong Kong, about 40% in Macau, about 21% in Mainland China and about 5% in Taiwan) during April to June 2010. To fuel continuous development of the Group's business, the Group plans to invest capital expenditure of approximately HK$40 million in coming fiscal year to enhance and expand its retail and distribution networks in various regions, particularly in Mainland China.

Maintaining a positive view towards our future development and taking into consideration the Group's financial position, including cash on hand and funding requirements, we have decided to enhance our policy on dividend payout from not less than 30% of net profit to at least 40% in recognition of shareholders' continuous support. Hence, as of this year, the Board has recommended the payment of a final dividend of HK8.5 cents along with a special dividend of HK5.0 cents. Combined with an interim dividend of HK2.0 cents already paid, total dividend for the year will be HK15.5 cents, representing a dividend payout ratio of about 67.1%.

Positive response from Mainland China market encourages further expansion

The overall performance of the Mainland China retail division was encouraging during the year. This has motivated the Group to further expand its retail operation. In coming fiscal year ending 31 March 2011, the Group targets to add about 30 stores in Mainland China. Apart from adding new shops in Beijing, Shanghai and Guangzhou, the cities that the Group's self-managed retail network has already reached, the Group will try to extend its coverage of its self-managed retail network beyond the current scope to cities within two hours' distance of these metropolises, such as Nanjing.

Having gained invaluable experience from managing a franchise network in the country, the next step will be to allocate more resources towards establishing self-operated retail shops, thus enabling the Group to better keep abreast of local trends and acquire first-hand information that comes from being a proprietor. Again, the Group will adopt the successful business model that was employed in Taiwan, transplanting it into Mainland China while taking into consideration local market characteristics. Concurrently, we will direct resources to training staff that are familiar with the local culture and tastes as this will enable us to quickly adapt to the retail scene, being acquainted with the needs of Mainland China customers. Our experience in Taiwan and the strong performance achieved in the region has clearly taught us that maintaining efficient local management is instrumental to success. Hence, localisation will continue to be the Group's approach to tackling the Mainland China market as we seek to achieve long-term growth.

Hong Kong and Macau remains our sales foundation

With regards to Hong Kong and Macau, both markets continued to achieve satisfactory sales performances, contributing a significant portion of revenue to the Group. The positive development can be attributed to the dedication of our retail workforce, effective control of costs, well-established brand image and the ability to embrace opportunities that arose as retail sentiment improved. Balancing stable business development with prudent cost controls, the Group will consider opening more retail sales points in already established areas or enlarge existing shops where feasible. Such efforts will allow us to realise further cost effectiveness, better staff allocation as well as complement our brand building efforts.

Development of brands with high potential

As for the Group's in-house brands, it is worth noting that over the past few years our marketing strategies have helped introduce labels that are now highly popular among target consumers. Building on such achievements, we will be promoting in-house brands that have shown progress for at least two years since their introduction by opening self-managed stores. For nurturing imported brands that possess significant market potential, we will consider using a "shop-in-shop" strategy where such labels can leverage stores located in prime locations to generate maximum exposure and be afforded dedicated store space to further draw attention by highlighting their distinction from other brands. From such strategies we will be able to broaden our customer base.

Moving forward, we will continue our diversification drive and leverage marketing campaigns as both efforts have enabled the Group to realise business growth in the past. To build on this momentum, we will strengthen our presence in Mainland China as it is consistent with our objective of bolstering the Group's position as a leading trendy fashion house that delivers quality clothing to different parts of the world.

The Group also firmly believes that being successful in business and being responsible to society are complementary endeavours. For the past several years, we have provided employment opportunities to school dropouts, offering professional training and assistance in their career development. Along with helping these individuals find direction in their lives, such efforts enable us to have a pool of highly motivated people to assist in our business development. We will duly continue with such programmes as part of our commitment to corporate social responsibility.

Appreciation

On behalf of the Board, I would like to express my gratitude to our shareholders, business partners and customers for their unstinting support. I would also like to extend my appreciation to all of the Group's employees for their dedication during these challenging times. Working together, I trust that we will realise still greater accomplishments in the coming years.

Wong Yui Lam
Chairman

Hong Kong, 15 July 2010


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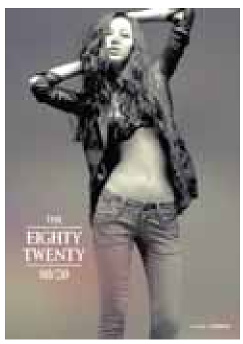
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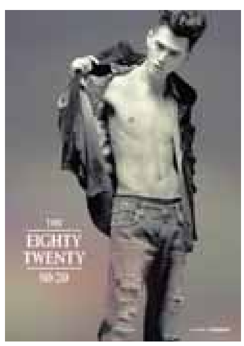
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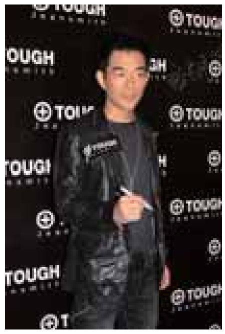


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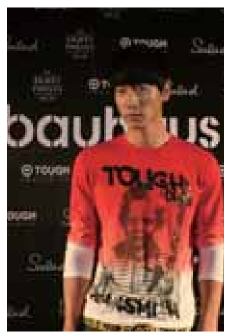

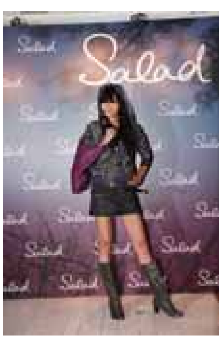
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BUSINESS REVIEW

The fiscal year of 2009/10 was a very challenging year for the Group. However, through executing our strategies for cautious growth and timely responses to changes in the market, the Group achieved record-high sales of about HK$793.8 million for the year ended 31 March 2010 (2009: HK$745.6 million) and significantly boosted the net profit for the year by about 36.5% to about HK$83.0 million (2009: HK$60.8 million).

In the first half of fiscal year 2009/10, the gloomy economic outlook and rising unemployment rate triggered by the financial tsunami in 2008 significantly depressed consumer confidence and retail markets around the world. The Group's performance was inevitably affected and recorded an unsatisfactory result for the six-month period ended 30 September 2009. However, by adopting aggressive retail and workforce management measures and focused marketing strategies to develop effective retail distribution channels, the Group successfully realised the immense upside potential through increased sales upon the gradual recovery of economy since the fourth quarter of 2009. The Group also improved the gross margin by 1.2 percentage point from about 68.9% to about 70.1%. The operating expenses to sales ratio for the year under review declined about 1.4 percentage points to about 57.7% (2009: 59.1%) aided by stringent cost control measures. As a result, the Group achieved a significant positive turnaround on the results for the year ended 31 March 2010.

Being one of the leading trendy fashion houses, the Group continued to expand its diverse self-managed retail and franchise network under various brand names like "BAUHAUS", "TOUGH Jeansmith", "SALAD", "80/20", "ELITE" and "ATTACHMENT" in different regions.

Hong Kong and Macau

The turnover of Hong Kong and Macau segment is mostly contributed by self-managed retail business in the regions. The Hong Kong segment continued as the largest revenue sector of the Group, accounting for about 59.7% of the Group's turnover, recording a mild growth in sales of about 4.4% to approximately HK$474.0 million during the year under review (2009: HK$453.9 million). Retail business in Macau also rose by about 5.4% in sales to approximately HK$52.6 million (2009: HK$49.9 million).

During the year under review, the Group focused its efforts on sales efficiency and profitability rather than the expansion of the retail network in the regions. The Group proactively reallocated resources and closed down certain non-performing retail shops during the year under review, hence the total number of retail shops in Hong Kong and Macau dropped slightly from 64 to 60. However, the consolidation efforts eventually paid off during the year under review. The cost pressure, particularly from some shops with unreasonably high-rent, has been alleviated.

In addition, the Group refrained from engaging in intense price competition with other industry players during the year under review. Instead, the Group opted to differentiate its products by enhancing their designs and sales services. Owing to the unique character and trendy designs of the Group's products, demand remained relatively stable even in the adverse market environment. These tactics allowed the Group to offer smaller discounts less frequently compared with the previous fiscal year. Together with dedicated efforts of the Group's experienced retail workforce, the segment results before tax remarkably improved by about 30.7% to about HK$79.2 million (2009: HK$60.6 million).

Mainland China

The Group penetrated to Mainland China markets through both operation of self-managed retail shops and franchise operations. The turnover from the Mainland segment grew by about 8.0% to about HK$123.4 million for the year under review (2009: HK$114.3 million). In addition, the segment results improved from about HK$22.0 million in last fiscal year to about HK$24.0 million in 2009/10 fiscal year, up by about 9.0%.

Self-managed Retail Operation

During the year under review, retail sales in Mainland China recorded significant growth of about 34.2% to approximately HK$75.4 million (2009: HK$56.2 million). The Mainland China market continued to be one of the Group's major growth contributors. The Group has gradually expanded its self-managed retail networks and strategically focused on selected first-tier cities to capture the immense potential of the rapidly growing markets created by China's expanding middle class and urbanisation. As at 31 March 2010, the Group had 24 self-managed shops in Mainland China region (2009: 18), with 14 in Shanghai (2009: 11), 8 in Beijing (2009: 5) and 2 in Guangzhou (2009: 2).

The Group has aimed to increase market penetration and network coverage in Mainland China by adopting a prudent approach with a higher priority on the profitability of the shop portfolio. The Group implemented appropriate measures in response to changes in the market since early 2009 with an aim of enhancing profitability and ensuring healthy sales growth in the long term. During the year under review, the Group closed a loss-incurring mega shop in Beijing in May 2009 and other non-performing retail outlets. On the other hand, the Group added more small-to-medium-size shops in strategic shopping areas. Through optimising utilisation of sales areas and running a more flexible and diverse retail network, the Group was able to achieve stable and sustainable development even under volatile market environments. In general, the self-managed retail business in Mainland China has already offered the Group increasing sales and a positive margin contribution during the year under review.

Franchise Business

The franchise business model is considered as an important strategic tool to rapidly penetrate the Mainland China market. However, driven by sluggish retail consumption and volatile market environments, particularly in the second quarter of 2009, the sales performance of the Group's franchised shops was not satisfactory and additions of new franchisees slowed down. Turnover generated from the franchise business dropped by about 17.4% to about HK$48.0 million (2009: HK$58.1 million) for the year ended 31 March 2010. After years of rapidly expanding the Group's franchise business in Mainland China, the Group had to streamline operation to ensure its long term operating efficiency. Accordingly, the Group eliminated certain non-performing franchisees and consolidated its franchise networks during the year under review.

While rapid expansion of the franchise business during recent years was held in abeyance during the year under review, the Group is committed to boosting its networking efforts and enhancing marketing activities to build a more solid foundation for resuming growth in the coming years. The Group also devoted more resources to provide technical support and training to franchisees to weather potential challenges and to strengthen their competitiveness.

Taiwan

The Group engaged in self-managed retail operations in Taiwan, which continued to achieve encouraging results. During the year ended 31 March 2010, the segment turnover surged by about 26.9% to about HK$113.3 million (2009: HK$89.3 million) and the segment results jumped by about 36.7% to about HK$23.1 million (2009: HK$16.9 million), due to the Group's dedicated management efforts, expert sales team and an extensive and well-coordinated retail network. The Group now has a solid presence in Taiwan with a total of 39 outlets as at 31 March 2010. It is a leading trendy fashion retailer in that market and has undergone rapid business expansion over years. The Group has also gradually increased the variety of its in-house brands offered in Taiwan and fostering some new in-house labels in Taiwan, which are considered to be important drivers to sustain future growth.

Elsewhere

The Group extended its business coverage over many overseas countries through wholesale operation. The Group's wholesale business performed just fairly during the year under review, with turnover dropping about 20.2% during the year under review to about HK$30.5 million (2009: HK$38.2 million). The decline was mainly contributed by the poor sales performance in European regions, which was severely hit by the unfavourable economic situation and high unemployment rate in the region, with sales slumping about 65.1%. The Japanese market, the largest overseas wholesales market of the Group, however, remained strong with an about 17.4% growth in sales to about HK$18.9 million for the year under review (2009: HK$16.1 million), partly compensating the adverse impact in Europe. As Japan and markets elsewhere in East Asia have been more stable with stronger growth potential, the Group has shifted its strategic focus to Asia.

FINANCIAL REVIEW

Turnover

The Group recorded a stable growth in sales of about 6.5% to about HK$793.8 million for the year ended 31 March 2010 (2009: HK$745.6 million). The growth was mainly driven by increase in retail sales from self-managed shops, which fully compensated for the drop in sales from franchised and wholesale business.

Gross Profit

The gross profit of the Group was up by about 8.4% to about HK$556.4 million in the fiscal year of 2009/10 (2009: HK$513.4 million). Although a net provision for slow moving inventories amounting to about HK$20.5 million (2009: net written back of about HK$0.8 million) was made for the year under review in respect to aged stocks mainly arisen from the year of 2008, the Group's gross margin still improved by about 1.2 percentage points from about 68.9% to about 70.1%. If the effect of provision for slow moving inventories is excluded, the gross margin actually improved more strongly by about 3.9 percentage points from about 68.8% to about 72.7%.

The obvious enhancement on the gross margin level mainly resulted from the increased portion of in-house label products in the sales mix from about 85% in fiscal year of 2008/09 to about 89% in fiscal year of 2009/10. In general, the Group's in-house branded products have a higher gross margin than goods of international brands and other vendors' brands sold by the Group. During the year under review, the Group also offered smaller and less frequent discounts to the markets compared to the previous year. Through support by our brand's unique character as well as the reduced inventory level, the Group had more flexibility to preserve relatively stable retail price levels and to avoid intense price competition in the market.

Operating Expenses

The Group's stringent cost control measures have taken effect during the year under review. The Group's operating expenses rose slightly by about 3.9% to about HK$457.7 million for the year ended 31 March 2010 (2009: HK$440.6 million). However, the overall operating expenses as a percentage of turnover reduced to about 57.7% (2009: 59.1%).

Rental cost of land and buildings, which accounted for about 44.6% (2009: 42.8%) of the Group's operating expenses and represented about 25.7% (2009: 25.3%) of the Group's turnover, increased by about 8.3% to about HK$204.2 million (2009: HK$188.6 million) for the year under review. In contrast to the substantial rise in such expenses during previous years, the upward pressure on rental expenses was relatively mild because of the weak economy and decline in shop expansion in specific high-rent regions. Besides, the Group strategically consolidated and re-allocated several retail shops and re-negotiated with landlords proactively for rent reductions upon renewal of leases during the year under review to trim the high rental burden.

Staff costs, a key operating expense, rose slightly by about 2.0% to about HK$139.6 million (2009: HK$136.8 million) during the year ended 31 March 2010. However, staff costs as a percentage of total turnover decreased from about 18.3% in the 2008/09 fiscal year to about 17.6% in the year under review. Competent and effective human resources are crucial 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. In addition, the Group also enhanced the system to motivate sales staff, to monitor their performance and to ensure a high degree of accountability and efficiency of its workforce in different regions.

With a deliberate pace of shop expansion during the year under review, depreciation charges only moderately increased by about 7.8% to about HK$25.0 million (2009: HK$23.2 million) for the year ended 31 March 2010. Advertising, promotion and exhibition expenses were kept at comparable levels to the previous year at about HK$16.0 million (2009: HK$16.1 million) to maintain a steady and consistent exposure to the target consumer segment as well as to the public media.

In addition to the above major operating costs, there were specific material one-off expenses incurred during the year under review. With respect to the early termination of a lease of a mega shop in Beijing, the Group paid compensation of about HK$1.9 million to the landlord. Furthermore, an impairment loss of about HK$2.4 million on fixed assets of certain loss-making shops in Hong Kong was also incurred for the year ended 31 March 2010.

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 jumped by about 36.5% to about HK$83.0 million (2009: HK$60.8 million) for the year ended 31 March 2010. Net profit margin also improved significantly from about 8.2% to about 10.5% as the gross margin increased and effective cost controls were in place. Although there were still many uncertainties in the operating environment, the Group manages to seize opportunities to grow its business in both the local and overseas markets, particularly within Mainland China. With appropriate and visionary strategies in action and timely reaction to changes in the market, the Group achieved sustainable growth in both turnover and net profit.

CAPITAL STRUCTURE

As at 31 March 2010, the Group had net assets of approximately HK$425.9 million (2009: HK$378.3 million), comprising non-current assets of about HK$127.5 million (2009: HK$141.2 million), net current assets of about HK$303.1 million (2009: HK$240.3 million) and non-current liabilities of about HK$4.7 million (2009: HK$3.2 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2010, the Group had cash and cash equivalents of approximately HK$220.6 million (2009: HK$144.6 million). The Group had no gearing at the end of the reporting period. As at 31 March 2010, the Group had aggregate banking facilities of approximately HK$22.0 million (2009: HK$22.0 million) comprising interest-bearing bank overdraft, rental and utility guarantees and import and export facilities, of which about HK$13.2 million had not been utilised.

CASH FLOWS

The Group had strong net cash inflow of about HK$126.7 million (2009: HK$73.3 million) from operating activities which was mainly attributable to the increase in the Group's revenue. Net cash outflow from investment activities dropped from about HK$37.4 million in 2009 to about HK$14.9 million in 2010. The Group expanded its self-managed retail network across Hong Kong, Macau, Taiwan and Mainland China at a more prudent pace during the year under review. Net cash outflow from financing activities during the year under review amounted to about HK$37.7 million (2009: HK$46.7 million) resulting from payment of dividends to shareholders.

SECURITY

As at 31 March 2010, 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$6.3 million (2009: HK$6.5 million) and HK$3.3 million (2009: HK$3.3 million) respectively.

CAPITAL COMMITMENT

As at 31 March 2010, both the Group and the Company had no material capital commitment (2009: Nil) contracted but not provided for in the financial statements.

CONTINGENT LIABILITIES

As at 31 March 2010, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK$7.7 million (2009: HK$5.0 million). The Company had no material contingent liabilities as at the end of the reporting period (2009: Nil).

HUMAN RESOURCES

Including all directors, the Group had 1,442 employees as at 31 March 2010 (2009: 1,376). To attract and retain high performance staff, the Group has provided competitive remuneration packages with performance bonuses, mandatory provident fund, insurance, 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 dollars, US dollars, Euros 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 32 to the consolidated financial statements.

DIRECTORS

Executive Directors

Mr. Wong Yui Lam, aged 52, 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", 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 17 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 42, 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 is an associate member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. She obtained a diploma in Management Studies from the Hong Kong Polytechnic University/Hong Kong Management Association in 1998. Madam Lee has over 20 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 33, is the Operation Manager of the Group. Mr. Yeung is responsible for overseeing the Group's business operation in Mainland China. He is also responsible for the Group's leasing affairs and executing various development projects. Mr. Yeung has extensive experience in business negotiation, 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.

Independent Non-Executive Directors

Dr. Wong Yun Kuen, aged 52, was appointed as an Independent Non-Executive Director on 1 May 2005. Dr. Wong received his Ph.D. 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 Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited, and the independent non-executive director of China Grand Forestry Green Resources Group Limited, Climax International Company Limited, Golden Resorts Group Limited, Harmony Asset Limited, Hua Yi Copper Holdings Limited, Kaisun Energy Group Limited, Kong Sun Holdings Limited, China Yunnan Tin Minerals Group Company Limited and ZMAY 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 44, 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 20 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 42, 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 16 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 59, 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 Shantou"), 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 24 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 56, is the Production Manager of the Group and a director of Bauhaus Shantou. Madam Ho is responsible for administration and inventory control of the production site in the PRC. She has over 24 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 45, 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 18 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 47, 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 25 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 34, 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 12 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.

Madam Chan Wai Chun, Candy, aged 44, is the Administration Manager of the Group. She is responsible for administration and human resources management of the Group. Madam Chan has over 20 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 2010, 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 of the Company (the "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 of the Company 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 2010, 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 section of "Directors and Senior Management" section on pages 20 to 21 of this Annual Report.

BOARD OF DIRECTORS *(Continued)*

The members of the Board for the year ended 31 March 2010 and up to the date of this report are as follows:

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

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. However, 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.

Six 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 *(Chairman and Chief Executive Officer)*	6 out of 6
Madam Lee Yuk Ming	6 out of 6
Mr. Yeung Yat Hang	6 out of 6
Mr. Chu To Ki	6 out of 6
Mr. Mak Wing Kit	4 out of 6
Dr. Wong Yun Kuen	5 out of 6

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	2 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 2010, the Directors have reviewed the performance of Mr. Mak Wing Kit and Dr. Wong Yun Kuen, 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 pages 34 to 35 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 2010 are as follows:

	Year ended 31 March 2010 HK$'000	Year ended 31 March 2009 HK$'000
Audit services	**1,434**	1,485
Non-audit services	**677**	574
Total	**2,111**	2,059

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 2010, 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, teleconferences and press conferences, etc.

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 attend 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 website www.bauhaus.com.hk as well as the website of the Stock Exchange at www.hkexnews.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 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and management. 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 2010 and the state of affairs of the Company and the Group at that date are set out on pages 36 to 83 of this Annual Report.

An interim dividend of HK2.0 cents per ordinary share was paid on 5 February 2010. The directors recommend the payment of final and special dividends of HK8.5 cents and HK5.0 cents per ordinary share, respectively, in respect of the year to shareholders on the register of members on 26 August 2010. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 24 August 2010, to Thursday, 26 August 2010, 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, 23 August 2010.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 84 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 25 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 25 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 26(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2010, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to HK$261,064,000, of which an aggregate of HK$48,526,000 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$231,000.

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.

DIRECTORS

The directors of the Company during the year were:

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

In accordance with article 87 of the Company's articles of association, Mr. Mak Wing Kit and Dr. Wong Yun Kuen 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 20 to 21 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 2010, 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 beneficially owned	Through controlled corporation	Through a discretionary trust/as beneficiary 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	3,748,000	—	—	3,748,000	1.04%

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 2010, 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 2010, 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 number of ordinary shares held**	**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	34,068,000	—	34,068,000	9.48%

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 2010, 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.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

The following connected transactions are exempt from announcement or independent shareholders' approval requirements under Rule 14A.31 of the Listing Rules and are included herein for information only.

Connected transactions

Sale of a used car

On 25 May 2009, Bauhaus Management Limited ("BML"), a wholly-owned subsidiary of the Company, sold a used motor vehicle to China Zone Development Limited, a company owned by a beneficial shareholder of the Company, Madam Tong She Man, Winnie, for a consideration of HK$340,000. Further details of the transaction are disclosed in note 30(a) to the financial statements.

Purchase of a used car

On 29 October 2009, BML acquired a used car from Victory Industries Limited ("Victory"), with Mr. Wong Yui Lam and Mr. Yeung Yat Hang as common directors of both the Company and Victory, at a consideration of HK$230,000. Further details of the transaction are disclosed in note 30(a) to the financial statements.

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, an executive director of the Company, to rent car parking spaces in Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong, for a term of about one year from 1 April 2009 to 28 March 2010.

Under the arrangement, the Group is required to pay Sharp Woods a monthly rental of HK$12,000 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$143,000 for the year ended 31 March 2010.

The following connected transaction is exempt from independent shareholders' approval requirements under Rule 14A.32 of the Listing Rules and is included herein for information only.

Purchase of car parking spaces

On 29 March 2010, in accordance with the terms of a sales and purchase agreement of the same date, Bauhaus Property Limited, a subsidiary of the Company, acquired car parking spaces from Sharp Woods in Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong at a consideration of HK$1,980,000. Further details of the transaction are disclosed in note 30(a) to the financial statements.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(Continued)*

Continuing connected transactions

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 2010, the aggregate amount paid by the Group to Netideas for the Licence amounted to HK$870,000.

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 2010, the aggregate amount paid by the Group for the sourcing of equipment was HK$196,000.

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 2010

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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 83 of this Annual Report, which comprise the consolidated and company statements of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2010 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 2010

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	5	**793,792**	745,599
Cost of sales		**(237,370)**	(232,233)
Gross profit		**556,422**	513,366
Other income and gains	5	**3,608**	2,909
Selling and distribution costs		**(368,927)**	(348,727)
Administrative expenses		**(82,139)**	(83,881)
Other expenses		**(6,680)**	(8,012)
PROFIT BEFORE TAX	6	**102,284**	75,655
Income tax expense	9	**(19,256)**	(14,886)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	10	**83,028**	60,769
OTHER COMPREHENSIVE INCOME			
Currency translation differences		**2,305**	336
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**85,333**	61,105
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12		
Basic		**23.10 cents**	16.91 cents

Details of the dividends payable and proposed for the year are disclosed in note 11 to the financial statements.

31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**47,986**	63,114
Prepaid land lease payments	14	**12,177**	11,610
Intangible assets	15	**1,725**	1,926
Held-to-maturity debt securities	17	**1,603**	1,932
Deferred tax assets	18	**13,893**	12,878
Rental, utility and other non-current deposits		**50,210**	49,721
Total non-current assets		**127,594**	141,181
CURRENT ASSETS			
Inventories	19	**124,604**	136,939
Trade and bills receivables	20	**23,258**	18,477
Prepayments, deposits and other receivables	21	**16,684**	11,398
Prepaid land lease payments, current portion	14	**272**	255
Tax recoverable		**461**	1,722
Held-to-maturity debt securities	17	**1,949**	1,166
Cash and cash equivalents	22	**220,615**	144,615
Total current assets		**387,843**	314,572
CURRENT LIABILITIES			
Trade and bills payables	23	**13,753**	16,021
Other payables and accruals	24	**58,230**	49,900
Tax payable		**12,842**	8,288
Total current liabilities		**84,825**	74,209
NET CURRENT ASSETS		**303,018**	240,363
TOTAL ASSETS LESS CURRENT LIABILITIES		**430,612**	381,544
NON-CURRENT LIABILITIES			
Deferred tax liabilities	18	**4,674**	3,197
Net assets		**425,938**	378,347
EQUITY			
Equity attributable to owners of the parent			
Issued capital	25	**35,945**	35,945
Reserves	26(a)	**341,467**	311,849
Proposed dividends	11	**48,526**	30,553
Total equity		**425,938**	378,347

Wong Yui Lam
Chairman

Lee Yuk Ming
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2010

	Note	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 26(a))	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000 (note 26(a))	Proposed dividends HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 April 2008		35,945	87,875*	744*	8,049*	1,194*	39,540	190,624*	363,971
Total comprehensive 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 and 1 April 2009		35,945	87,875*	744*	8,385*	4,915*	30,553	209,930*	378,347
Total comprehensive income for the year		—	—	—	2,305	—	—	83,028	85,333
Transfer to reserve funds		—	—	—	—	1,568	—	(1,568)	—
Final 2009 dividend declared		—	—	—	—	—	(19,770)	—	(19,770)
Special 2009 dividend declared		—	—	—	—	—	(10,783)	—	(10,783)
Interim 2010 dividend	11	—	—	—	—	—	—	(7,189)	(7,189)
Proposed final 2010 dividend	11	—	—	—	—	—	30,553	(30,553)	—
Proposed special 2010 dividend	11	—	—	—	—	—	17,973	(17,973)	—
At 31 March 2010		35,945	87,875*	744*	10,690*	6,483*	48,526	235,675*	425,938

* These reserve accounts comprise the consolidated reserves of HK$341,467,000 (2009: HK$311,849,000) in the consolidated statement of financial position.

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**102,284**	75,655
Adjustments for:			
Bank interest income	5	**(412)**	(624)
Depreciation	6	**24,965**	23,195
Loss on disposal of items of property, plant and equipment	6	**1,524**	1,269
Recognition of prepaid land lease payments	6	**255**	255
Write-off of intangible assets	6	**19**	—
Write-off of rental deposits	6	**465**	2,578
Amortisation of intangible assets	6	**324**	329
Provision/(write-back of provision) for slow-moving inventories, net	6	**20,539**	(830)
Write-off of trade and bills receivables	6	**4**	—
Impairment of trade and bills receivables	6	**—**	550
Impairment of items of property, plant and equipment	6	**2,426**	2,505
		152,393	104,882
Increase in rental, utility and other non-current deposits		**(954)**	(8,041)
Increase in inventories		**(8,204)**	(23,949)
Decrease/(increase) in trade and bills receivables		**(4,785)**	3,834
Decrease/(increase) in prepayments, deposits and other receivables		**(5,286)**	6,946
Decrease in trade and bills payables		**(2,268)**	(1,030)
Increase in other payables and accruals		**8,330**	3,658
Decrease in an amount due to a related company		**—**	(307)
Cash generated from operations		**139,226**	85,993
Interest received		**412**	624
Hong Kong profits tax paid		**(5,760)**	(3,852)
Overseas taxes paid		**(7,204)**	(9,493)
Net cash flows from operating activities		**126,674**	73,272
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(13,803)**	(39,360)
Proceeds from disposal of items of property, plant and equipment		**341**	112
Proceeds from maturity of available-for-sale financial assets		**—**	3,900
Increase in prepaid land lease payments	14	**(839)**	—
Additions to intangible assets	15	**(142)**	(623)
Purchases of held-to-maturity debt securities		**(454)**	(1,419)
Net cash flows used in investing activities		**(14,897)**	(37,390)

Year ended 31 March 2010

	Note	**2010** **HK$'000**	2009 HK$'000
CASH FLOWS FROM A FINANCING ACTIVITY			
Dividends paid and cash used in a financing activity		**(37,742)**	(46,729)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**74,035**	(10,847)
Cash and cash equivalents at beginning of year		**144,615**	154,985
Effect of foreign exchange rate changes, net		**1,965**	477
CASH AND CASH EQUIVALENTS AT END OF YEAR		**220,615**	144,615
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**217,135**	139,271
Non-pledged time deposits with original maturity of less than three months when acquired	22	**3,480**	5,344
		220,615	144,615

31 March 2010

	Notes	**2010 HK$'000**	2009 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	**143,631**	143,631
CURRENT ASSETS			
Due from subsidiaries	16	**240,498**	213,098
Prepayments, deposits and other receivables	21	**141**	139
Cash and cash equivalents	22	**625**	404
Total current assets		**241,264**	213,641
CURRENT LIABILITIES			
Other payables and accruals	24	**11**	11
Total current liabilities		**11**	11
NET CURRENT ASSETS		**241,253**	213,630
Net assets		**384,884**	357,261
EQUITY			
Issued capital	25	**35,945**	35,945
Reserves	26(b)	**300,413**	290,763
Proposed dividends	11	**48,526**	30,553
Total equity		**384,884**	357,261

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. 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 2010. 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 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's 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*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue — Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
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*
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 — Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*, which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised), HKFRS 8 and HK(IFRIC)-Int 13, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

(a) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present one statement.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

(b) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the reported segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

(c) HK(IFRIC)-Int 13 *Customer Loyalty Programmes*

HK(IFRIC)-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. The adoption of this interpretation has had no significant effect on these financial statements.

2.3 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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Reporting Standards — Additional Exemptions for First-time Adopters*[2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKFRS 9	*Financial Instruments*[6]
HKAS 24 (Revised)	*Related Party Disclosures*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*[3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*[1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*[2]

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation. For *Improvements to HKFRSs 2010* issued in May 2010, the amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010 whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that 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 profit or loss 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 profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period 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 profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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);

(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.

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 profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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 financial year end.

An item of property, plant and equipment and any significant part initially recognised 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 profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently 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 financial year end.

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.

Operating 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 profit or loss 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

Initial recognition and measurement
Financial assets within 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. The Group determines the classification of its financial assets at initial recognition. 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.

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.

The Group's financial assets include held-to-maturity debt securities, deposits and other receivables, trade and bills receivables and cash and cash equivalents.

Subsequent measurement
The subsequent measurement of financial assets depends on their reclassification as follows:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The loss arising from impairment is recognised in profit or loss in other operating expenses.

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 calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in profit or loss.

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 when:

- the rights to receive cash flows from the asset have expired;

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

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 profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, 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 statement of financial position, 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 relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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.

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 exactly 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 profit or loss 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 (the "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 profit or loss 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 profit or loss as they become payable in accordance with the rules of the Taiwan Scheme, and the outstanding payment of the contribution is reflected on the statement of financial position.

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 profit or loss as and when incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Dividends

Final and special dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, 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.

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 recorded by the entities in the Group are initially recorded using their respective 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 end of the reporting period. All differences are taken to profit or loss. 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 end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statement of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, 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 end of the reporting period. 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.

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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 the end of the reporting period. The carrying value of property, plant and equipment at 31 March 2010 was HK$47,986,000 (2009: HK$63,114,000). Further details are included in note 13 to the financial statements.

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 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 2010 was HK$47,986,000 (2009: HK$63,114,000). 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 2010 was HK$99,000 (2009: HK$136,000). The amount of unrecognised tax losses at 31 March 2010 was HK$2,669,000 (2009: HK$896,000). Further details are included in note 18 to the financial statements.

Impairment of trade and bills receivables

The Group maintains an allowance, if necessary, 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 2010 was HK$23,258,000 (2009: HK$18,477,000). Further details are included in note 20 to the financial statements.

Provision for inventories

Management reviews an aging analysis at the end of each reporting period, 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 the end of each reporting period and makes provision for obsolete items. The carrying value of inventories at 31 March 2010 was HK$124,604,000 (2009: HK$136,939,000). Further details of which are included in note 19 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units that offer products to customers located in different geographical areas and has four reportable operating segments as follows:

(a) Hong Kong and Macau

(b) Mainland China

(c) Taiwan

(d) Elsewhere

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income and unallocated expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, time deposits, held-to-maturity debt securities, and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities and tax payable as these liabilities are managed on a group basis.

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.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 March 2010	Hong Kong and Macau HK$'000	Mainland China HK$'000	Taiwan HK$'000	Elsewhere HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	526,608	123,416	113,312	30,456	793,792
Intersegment sales	6,412	1,209	44,171	—	51,792
	533,020	124,625	157,483	30,456	845,584
Reconciliation:					
Elimination of intersegment sales					(51,792)
Revenue					793,792
Segment results	79,191	23,960	23,129	7,061	133,341
Reconciliation:					
Interest income					412
Unallocated expenses					(31,469)
Profit before tax					102,284
Segment assets	127,545	128,408	50,659	5,734	312,346
Reconciliation:					
Deferred tax assets					13,893
Tax recoverable					461
Time deposits					3,480
Held-to-maturity debt securities					3,552
Unallocated assets					181,705
Total assets					515,437
Segment liabilities	42,315	26,198	3,401	69	71,983
Reconciliation:					
Deferred tax liabilities					4,674
Tax payable					12,842
Total liabilities					89,499
Other segment information:					
Capital expenditure*	5,633	3,948	1,683	59	11,323
Unallocated capital expenditure*					3,461
					14,784
Depreciation	13,706	4,571	3,232	84	21,593
Unallocated depreciation					3,372
					24,965
Loss on disposal of items of property, plant and equipment	1,312	212	—	—	1,524
Recognition of prepaid land lease payments	255	—	—	—	255
Write-off of intangible assets	—	—	—	19	19
Write-off of rental deposits	465	—	—	—	465
Amortisation of intangible assets	60	19	40	205	324
Write-off of trade and bills receivables	—	—	—	4	4
Impairment of items of property, plant and equipment	2,426	—	—	—	2,426

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and prepaid land lease payments.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 March 2009	Hong Kong and Macau HK$'000	Mainland China HK$'000	Taiwan HK$'000	Elsewhere HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	503,899	114,309	89,241	38,150	745,599
Intersegment sales	9,317	1,574	40,115	—	51,006
	513,216	115,883	129,356	38,150	796,605
Reconciliation:					
Elimination of intersegment sales					(51,006)
Revenue					745,599
Segment results	60,612	22,049	16,911	6,814	106,386
Reconciliation:					
Interest income					624
Unallocated expenses					(31,355)
Profit before tax					75,655
Segment assets	133,612	100,509	53,237	6,370	293,728
Reconciliation:					
Deferred tax assets					12,878
Tax recoverable					1,722
Time deposits					5,344
Held-to-maturity debt securities					3,098
Unallocated assets					138,983
Total assets					455,753
Segment liabilities	38,958	22,114	3,418	1,431	65,921
Reconciliation:					
Deferred tax liabilities					3,197
Tax payable					8,288
Total liabilities					77,406
Other segment information:					
Capital expenditure*	16,517	12,482	5,503	135	34,637
Unallocated capital expenditure*					5,346
					39,983
Depreciation	12,994	4,374	2,747	187	20,302
Unallocated depreciation					2,893
					23,195
Loss on disposal of items of property, plant and equipment	1,065	152	37	15	1,269
Recognition of prepaid land lease payments	255	—	—	—	255
Write-off of rental deposits	559	2,019	—	—	2,578
Amortisation of intangible assets	70	17	32	210	329
Impairment of trade and bills receivables	—	—	—	550	550
Impairment of items of property, plant and equipment	445	2,060	—	—	2,505

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and prepaid land lease payments.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

Non-current assets

	2010 **HK$'000**	2009 HK$'000
Hong Kong and Macau	**55,029**	69,153
Mainland China	**15,788**	13,961
Taiwan	**3,990**	5,179
Elsewhere	**1,242**	2,051
	76,049	90,344

The non-current asset information above is based on the location of assets and excludes financial instruments, deferred tax assets and certain unallocated non-current assets managed on a group basis.

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	
	2010 **HK$'000**	2009 HK$'000
Revenue		
Sale of garment products and accessories	**793,792**	745,599
Other income		
Bank interest income	**412**	624
Others	**2,458**	2,285
	2,870	2,909
Gains		
Foreign exchange differences, net	**738**	—
	3,608	2,909

6. PROFIT BEFORE TAX

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

		Group	
	Notes	**2010 HK$'000**	2009 HK$'000
Cost of inventories sold		**216,831**	233,063
Depreciation	13	**24,965**	23,195
Provision/(write-back of provision) for slow-moving inventories, net, included in cost of sales		**20,539**	(830)
Rental expenses under operating leases in respect of equipment:			
Minimum lease payments		**500**	597
Contingent rents		**99**	63
		599	660
Rental expenses under operating leases in respect of land and buildings:			
Minimum lease payments		**172,162**	163,971
Contingent rents		**32,080**	24,658
		204,242	188,629
Auditors' remuneration		**1,762**	1,751
Recognition of prepaid land lease payments	14	**255**	255
Employee benefit expenses (excluding directors' remuneration (note 7)):			
Wages, salaries and other benefits		**128,057**	123,947
Pension scheme contributions*		**6,586**	6,037
		134,643	129,984
Loss on disposal of items of property, plant and equipment		**1,524**	1,269
Amortisation of intangible assets	15	**324**	329
Write-off of intangible assets	15	**19**	—
Write-off of rental deposits		**465**	2,578
Write-off of trade and bills receivables		**4**	—
Impairment of trade and bills receivables	20	**—**	550
Impairment of items of property, plant and equipment	13	**2,426**	2,505
Exchange loss, net		**—**	781

* At the end of the reporting period, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2009: 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	
	2010	2009
	HK$'000	HK$'000
Fees	**360**	360
Other emoluments:		
Salaries, allowances and benefits in kind	**3,604**	5,231
Performance related bonuses*	**936**	268
Compensation for loss of office	**—**	898
Pension scheme contributions	**36**	47
	4,576	6,444
	4,936	6,804

* 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:

	2010	2009
	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 (2009: 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
2010						
Mr. Wong Yui Lam	**—**	**1,300**	**400**	**—**	**12**	**1,712**
Madam Lee Yuk Ming	**—**	**1,212**	**268**	**—**	**12**	**1,492**
Mr. Yeung Yat Hang	**—**	**1,092**	**268**	**—**	**12**	**1,372**
	—	**3,604**	**936**	**—**	**36**	**4,576**
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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2009: three) executive directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining two (2009: two) non-director, highest paid employees for the year are as follows:

	Group 2010 HK$'000	2009 HK$'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	
	2010	2009
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. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

The PRC corporate income tax ("CIT") is applicable to the three (2009: two) subsidiaries located in Mainland China, where two (2009: two) of them are subject to the concessionary CIT tax rates. One of the two subsidiaries mentioned above was further 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, till December 2009; while the other subsidiary is registered as a foreign invested enterprise in the area of the Shenzhen Special Economic Zone and is eligible for a concessionary CIT rate. Accordingly, these subsidiaries were subject to the applicable CIT rates ranging from 10% to 25% during the financial year ended 31 March 2010.

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 (2009: Nil).

	Group	
	2010	2009
	HK$'000	HK$'000
Current tax — Hong Kong		
Provision for the year	**8,910**	6,133
Overprovision in prior years	**(177)**	(506)
Current tax — Elsewhere		
Provision for the year	**12,877**	11,916
Under/(over)provision in prior years	**(2,831)**	64
Deferred tax charge/(credit) (note 18)	**477**	(2,721)
Total tax charge for the year	**19,256**	14,886

9. INCOME 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

2010

	Hong Kong		**Elsewhere**		**Total**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Profit before tax	**40,202**		**62,082**		**102,284**	
Tax at the statutory tax rate	**6,633**	**16.5**	**13,044**	**21.0**	**19,677**	**19.2**
Lower tax rate for specific provinces or enacted by local authority	**—**	**—**	**(842)**	**(1.4)**	**(842)**	**(0.8)**
Adjustments in respect of current tax of previous periods	**(177)**	**(0.5)**	**(2,831)**	**(4.5)**	**(3,008)**	**(2.9)**
Income not subject to tax	**(40)**	**(0.1)**	**(742)**	**(1.2)**	**(782)**	**(0.8)**
Expenses not deductible for tax	**678**	**1.7**	**88**	**0.1**	**766**	**0.7**
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**—**	**—**	**1,560**	**2.5**	**1,560**	**1.5**
Temporary differences not recognised	**(243)**	**(0.6)**	**1,789**	**2.9**	**1,546**	**1.5**
Tax losses utilised from previous periods	**(137)**	**(0.3)**	**—**	**—**	**(137)**	**(0.1)**
Tax losses not recognised	**320**	**0.8**	**156**	**0.3**	**476**	**0.5**
Tax charge at the Group's effective rate	**7,034**	**17.5**	**12,222**	**19.7**	**19,256**	**18.8**

2009

	Hong Kong		Elsewhere		Total	
	HK$'000	%	HK$'000	%	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

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 March 2010 includes a profit of HK$65,365,000 (2009: HK$68,360,000) which has been dealt with in the financial statements of the Company (note 26(b)).

11. DIVIDENDS

	2010	2009
	HK$'000	HK$'000
Interim — HK2.0 cents (2009: HK2.0 cents) per ordinary share	**7,189**	7,189
Proposed final — HK8.5 cents (2009: HK5.5 cents) per ordinary share	**30,553**	19,770
Proposed special — HK5.0 cents (2009: HK3.0 cents) per ordinary share	**17,973**	10,783
	55,715	37,742

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 owners of the parent of HK$83,028,000 (2009: HK$60,769,000) and the number of ordinary shares in issue during the year of 359,450,000 (2009: 359,450,000).

The Group had no potentially dilutive ordinary shares in issue during those years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	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
31 March 2010							
At 31 March 2009 and 1 April 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
At 1 April 2009, net of accumulated depreciation and impairment	13,184	31,990	3,266	3,793	10,252	629	63,114
Additions	1,155	9,073	306	974	1,519	776	13,803
Depreciation provided during the year	(289)	(18,260)	(588)	(1,677)	(3,772)	(379)	(24,965)
Disposals	—	(933)	(2)	(57)	(406)	(467)	(1,865)
Impairment	—	(2,426)	—	—	—	—	(2,426)
Exchange realignment	—	250	33	6	36	—	325
At 31 March 2010, net of accumulated depreciation and impairment	14,050	19,694	3,015	3,039	7,629	559	47,986
At 31 March 2010:							
Cost	15,621	70,806	5,239	10,957	23,258	2,744	128,625
Accumulated depreciation and impairment	(1,571)	(51,112)	(2,224)	(7,918)	(15,629)	(2,185)	(80,639)
Net carrying amount	14,050	19,694	3,015	3,039	7,629	559	47,986

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

Group

	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
31 March 2009							
At 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

At 31 March 2010, certain of the Group's buildings with an aggregate net book value of approximately HK$6,311,000 (2009: HK$6,455,000) were pledged to secure general banking facilities granted to the Group.

14. PREPAID LAND LEASE PAYMENTS

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount at 1 April	**11,865**	12,120
Additions	**839**	—
Recognised during the year (note 6)	**(255)**	(255)
Carrying amount at 31 March	**12,449**	11,865
Current portion	**(272)**	(255)
Non-current portion	**12,177**	11,610

The leasehold lands are held under medium term leases and are situated in Hong Kong and Macau with carrying amounts of HK$9,980,000 (2009: HK$9,344,000) and HK$2,469,000 (2009: HK$2,521,000), respectively.

At 31 March 2010, certain of the Group's prepaid land lease payments with an aggregate net carrying value of approximately HK$3,272,000 (2009: HK$3,347,000) were pledged to secure general banking facilities granted to the Group.

15. INTANGIBLE ASSETS

Trademarks

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 April:		
Cost	**3,934**	3,370
Accumulated amortisation and impairment	**(2,008)**	(1,738)
Net carrying amount	**1,926**	1,632
Cost at beginning of year, net of accumulated amortisation and impairment	**1,926**	1,632
Additions	**142**	623
Amortisation provided during the year (note 6)	**(324)**	(329)
Write-off during the year (note 6)	**(19)**	—
At 31 March	**1,725**	1,926
At 31 March:		
Cost	**4,022**	3,934
Accumulated amortisation and impairment	**(2,297)**	(2,008)
Net carrying amount	**1,725**	1,926

16. INTERESTS IN SUBSIDIARIES

	Company 2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**143,631**	143,631

The amounts due from subsidiaries included in the Company's current assets 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 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
強韌貿易(深圳)有限公司*#	PRC/ Mainland China	HK$12,000,000	—	100	Trading of garments and accessories
強韌貿易(上海)有限公司*#	PRC/ Mainland China	HK$2,000,000	—	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

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 Direct	Indirect	Principal activities
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 2010 HK$'000	2009 HK$'000
Unlisted bonds, at amortised cost	**3,552**	3,098
Current portion	**(1,949)**	(1,166)
Non-current portion	**1,603**	1,932

These unlisted bonds have an aggregate nominal value of RMB3,080,000 (2009: RMB2,710,000), bear interest at rates ranging from 2.25% to 3.35% (2009: 3% to 3.35%) per annum and will mature between 2010 and 2012 (2009: 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. DEFERRED TAX

Group

Deferred tax assets

	Decelerated tax depreciation HK$'000	Losses available for offsetting against future taxable profits HK$'000	Provision for unrealised profit on inventories HK$'000	Other provisions HK$'000	Total HK$'000
At 1 April 2008	2,089	110	4,000	1,883	8,082
Deferred tax credited/(charged) to profit or loss during the year*	(29)	26	2,690	2,386	5,073
Exchange realignment	—	—	—	(277)	(277)
At 31 March 2009 and 1 April 2009	2,060	136	6,690	3,992	12,878
Deferred tax credited/(charged) to profit or loss during the year*	1,053	(37)	600	(616)	1,000
Exchange realignment	—	—	—	15	15
At 31 March 2010	3,113	99	7,290	3,391	13,893

Deferred tax liabilities

	Accelerated tax depreciation HK$'000
At 1 April 2008	845
Deferred tax charged to profit or loss during the year*	2,352
At 31 March 2009 and 1 April 2009	3,197
Deferred tax charged to profit or loss during the year*	1,477
At 31 March 2010	4,674

* The total deferred tax charged to profit or loss during the year amounted to HK$477,000 (2009: deferred tax credit of HK$2,721,000) (note 9).

At the end of the reporting period, the Group had tax losses arising in Hong Kong of HK$2,669,000 (2009: HK$896,000) 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. 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.

18. DEFERRED TAX *(Continued)*

Group *(Continued)*

Deferred tax liabilities (Continued)

At 31 March 2010, deferred tax liabilities have not been provided in respect of the unremitted retained earnings of the Group's subsidiaries after 1 January 2008 amounted to HK$33,932,000 (2009: Nil) as the payment of dividend is not considered probable.

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

19. INVENTORIES

	Group	
	2010	2009
	HK$'000	HK$'000
Raw materials	**20,390**	18,141
Work in progress	**8,313**	6,025
Finished goods	**95,901**	112,773
	124,604	136,939

20. TRADE AND BILLS RECEIVABLES

	Group	
	2010	2009
	HK$'000	HK$'000
Trade and bills receivables	**23,258**	22,629
Impairment	**—**	(4,152)
	23,258	18,477

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.

20. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	Group	
	2010	2009
	HK$'000	HK$'000
Within 90 days	**23,219**	17,710
91 to 180 days	**33**	767
181 to 365 days	**6**	—
	23,258	18,477

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

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**4,152**	4,060
Exchange realignment	**329**	(458)
Impairment losses recognised (note 6)	**—**	550
Amount written off as uncollectible	**(4,481)**	—
	—	4,152

Included in provision for impairment of trade and bills receivables as at 31 March 2009 was a provision for individually impaired trade receivables of HK$4,152,000 with a carrying amount of HK$4,152,000. The individually impaired trade and bills receivables relate to customers that were in financial difficulties or in liquidation and are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**22,844**	16,064
Less than 3 months past due	**376**	1,646
3 to less than 12 months past due	**38**	767
	23,258	18,477

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.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**10,883**	7,144	**141**	139
Deposits and other receivables	**5,801**	6,832	**—**	—
Impairment	**—**	(2,578)	**—**	—
	16,684	11,398	**141**	139

Included in provision for impairment of deposits and other receivables as at 31 March 2009 was a provision for forfeited deposits due to early termination of the tenancy agreements of HK$2,578,000. The remaining financial assets included in the above balances relate to receivables for which there is no recent history of default.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**217,135**	139,271	**625**	404
Non-pledged time deposits with original maturity of less than three months when acquired	**3,480**	5,344	**—**	—
Cash and cash equivalents	**220,615**	144,615	**625**	404

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$79,702,000 (2009: HK$52,034,000). 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.

23. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group 2010 HK$'000	2009 HK$'000
Within 90 days	**13,509**	15,050
91 to 180 days	**65**	614
181 to 365 days	**179**	286
Over 365 days	**—**	71
	13,753	16,021

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

24. OTHER PAYABLES AND ACCRUALS

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

25. SHARE CAPITAL

Shares

	Company 2010 HK$'000	2009 HK$'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.

25. SHARE CAPITAL *(Continued)*

Share options *(Continued)*

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.

26. 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 38 of this Annual Report.

The Group's contributed surplus as at 31 March 2010 and 2009 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.

26. RESERVES *(Continued)*

(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 2008		87,875	136,518	39,540	35,752	299,685
Total comprehensive income 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 and 1 April 2009		87,875*	136,518*	30,553	66,370*	321,316
Total comprehensive income for the year		—	—	—	65,365	65,365
Final 2009 dividend declared		—	—	(19,770)	—	(19,770)
Special 2009 dividend declared		—	—	(10,783)	—	(10,783)
Interim 2010 dividend	11	—	—	—	(7,189)	(7,189)
Proposed final 2010 dividend	11	—	—	30,553	(30,553)	—
Proposed special 2010 dividend	11	—	—	17,973	(17,973)	—
At 31 March 2010		87,875*	136,518*	48,526	76,020*	348,939

* These reserve accounts comprise the reserves of HK$300,413,000 (2009: HK$290,763,000) in the statement of financial position 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; and net-off the distribution of a special interim dividend totalling HK$7,013,000 during the year ended 31 March 2006.

27. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group 2010 HK$'000	Group 2009 HK$'000
Bank guarantees given in lieu of utility and property rental deposits	**7,696**	4,968

28. OPERATING LEASE ARRANGEMENTS

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

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010	2009
	HK$'000	HK$'000
Within one year	**146,618**	162,626
In the second to fifth years, inclusive	**136,632**	160,049
Over five years	**2,963**	6,058
	286,213	328,733

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 2010 (2009: Nil).

29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28 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 2010 (2009: Nil).

30. 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	**2010 HK$'000**	2009 HK$'000
Computer system maintenance charges paid to related companies	(i)	**870**	1,232
Purchases of computer equipment from related companies	(ii)	**196**	649
Rental expenses paid to a related company	(iii)	**143**	162
Purchase of car parks from a related company	(iv)	**1,980**	—
Purchase of a used car from a related company	(v)	**230**	—
Sales of a used car to a related company	(vi)	**340**	—

Notes:

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

(ii) The purchases of computer equipment from related companies 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.

(iv) The purchase of car parks from a related company was determined between parties with reference to the prevailing market price.

(v) The purchase of a used car from a related company was determined between parties with reference to the prevailing market price.

(vi) The sale of a used car to a related company was determined between parties with reference to the prevailing market price.

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

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

(b) 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.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2010

Financial assets

	Group		
	Loans and receivables	**Held-to-maturity investments**	**Total**
	HK$'000	HK$'000	HK$'000
Held-to-maturity debt securities	—	3,552	3,552
Financial assets included in rental, utility and other non-current deposits	49,515	—	49,515
Trade and bills receivables	23,258	—	23,258
Financial assets included in prepayments, deposits and other receivables	5,801	—	5,801
Cash and cash equivalents	220,615	—	220,615
	299,189	3,552	302,741

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Trade and bills payables	13,753
Financial liabilities included in other payables and accruals	20,491
	34,244

31. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

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

31. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Continued)*

Financial assets

	Company	
	2010	2009
	Loans and receivables	Loans and receivables
	HK$'000	HK$'000
Due from subsidiaries	**240,498**	213,098
Cash and cash equivalents	**625**	404
	241,123	213,502

Financial liabilities

	Company	
	2010	2009
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	HK$'000
Other payables	**5**	5

32. 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.

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:

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

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 end of the reporting period 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 profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2010			
If Hong Kong dollar weakens against RMB	**(1)**	**1,296**	**—**
If Hong Kong dollar strengthens against RMB	**1**	**(1,296)**	**—**
2009			
If Hong Kong dollar weakens against RMB	(1)	1,144	—
If Hong Kong dollar strengthens against RMB	1	(1,144)	—

* Excluding retained profits

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 20 to the financial statements.

32. 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 banking credit facilities. The Group's policy is to minimise borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2010			
	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	**1,244**	**12,509**	**—**	**13,753**
Other payables	**17,268**	**3,220**	**3**	**20,491**
	18,512	**15,729**	**3**	**34,244**

	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

Company

	2010 On demand HK$'000	2009 On demand HK$'000
Other payables	**5**	5

32. 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 2010 and 31 March 2009.

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 end of the reporting periods were as follows:

	2010	2009
	HK$'000	HK$'000
Total current assets	**387,843**	314,572
Total current liabilities	**84,825**	74,209
Current ratio	**4.6**	4.2

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 July 2010.

A summary of the consolidated results and assets and liabilities of the Bauhaus International (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	**793,792**	745,599	617,612	509,248	436,008
Cost of sales	**(237,370)**	(232,233)	(204,353)	(184,580)	(158,746)
Gross profit	**556,422**	513,366	413,259	324,668	277,262
Other income and gains	**3,608**	2,909	5,889	4,931	4,156
Selling and distribution costs	**(368,927)**	(348,727)	(260,831)	(198,036)	(169,954)
Administrative expenses	**(82,139)**	(83,881)	(77,564)	(58,953)	(48,387)
Other expenses	**(6,680)**	(8,012)	(1,369)	(5,848)	(1,622)
Finance costs	**—**	—	—	(236)	(397)
PROFIT BEFORE TAX	**102,284**	75,655	79,384	66,526	61,058
Income tax expense	**(19,256)**	(14,886)	(12,349)	(9,301)	(10,197)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**83,028**	60,769	67,035	57,225	50,861
DIVIDENDS	**55,715**	37,742	48,526	39,319	37,695

	As at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
TOTAL ASSETS	**515,437**	455,753	432,493	373,389	325,692
TOTAL LIABILITIES	**(89,499)**	(77,406)	(68,522)	(43,573)	(34,710)
	425,938	378,347	363,971	329,816	290,982