HANG TEN

# HANG TEN GROUP HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 448)**

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2009

The Board of Directors (the "Board") of Hang Ten Group Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for year ended 31 March 2009, together with the comparative figures for the corresponding year in 2008 as follows:

**CONSOLIDATED INCOME STATEMENT**
*For the year ended 31 March*

| | Note | **2009** *US$'000* | 2008 *US$'000* |
|---|---|---|---|
| Turnover | *3* | **258,933** | 274,294 |
| Cost of sales | | **(116,965)** | (116,139) |
| Gross profit | | **141,968** | 158,155 |
| Other revenue | *5* | **5,226** | 4,027 |
| Other net (loss)/income | *5* | **(4,168)** | 1,710 |
| Selling expenses | | **(109,993)** | (115,558) |
| Administrative expenses | | **(17,864)** | (19,724) |
| Other operating expenses | | **(647)** | (190) |
| Profit from operations | | **14,522** | 28,420 |
| Finance costs | *6(a)* | **(1,218)** | (1,035) |
| Profit before taxation | *6* | **13,304** | 27,385 |
| Income tax | *7* | **(2,991)** | (5,799) |
| Profit for the year | | **10,313** | 21,586 |
| Attributable to: | | | |
| Equity shareholders of the Company | | **10,696** | 21,563 |
| Minority interests | | **(383)** | 23 |
| Profit for the year | | **10,313** | 21,586 |
| Dividends | *8* | **5,066** | 8,866 |
| Earnings per share | *9* | | |
| – basic | | **US1.09 cents** | US2.20 cents |
| – diluted | | **US1.09 cents** | US2.20 cents |

## CONSOLIDATED BALANCE SHEET
*As at 31 March*

| | Note | 2009 US$'000 | 2008 US$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | | | |
| – Investment properties | | **6,800** | – |
| – Other property, plant and equipment | | **15,989** | 11,227 |
| | | **22,789** | 11,227 |
| Goodwill | | **9,647** | 9,495 |
| Intangible assets | *10* | **17,981** | 17,882 |
| Deferred tax assets | | **3,585** | 4,062 |
| | | **54,002** | 42,666 |
| **Current assets** | | | |
| Investments | | **8,028** | 16,452 |
| Inventories | | **32,819** | 36,218 |
| Trade and other receivables | *11* | **24,930** | 33,297 |
| Amounts due from related companies | | **54** | 64 |
| Cash and cash equivalents | | **17,021** | 23,767 |
| | | **82,852** | 109,798 |
| **Current liabilities** | | | |
| Bank loans | | **4,146** | 2,741 |
| Trade and other payables | *12* | **28,484** | 30,527 |
| Amounts due to shareholders | | **658** | 1,177 |
| Current taxation | | **4,735** | 6,869 |
| | | **38,023** | 41,314 |
| **Net current assets** | | **44,829** | 68,484 |
| **Total assets less current liabilities** | | **98,831** | 111,150 |
| **Non-current liabilities** | | | |
| Loans from shareholders | | **16,400** | 16,400 |
| Loan from a minority shareholder | | **393** | – |
| Deferred income | | **4,720** | 5,900 |
| Employee benefits | | **361** | 349 |
| | | **21,874** | 22,649 |
| **Net Assets** | | **76,957** | 88,501 |
| **Capital and reserves** | | | |
| Share capital | | **12,593** | 12,593 |
| Reserves | | **63,810** | 74,938 |
| Total equity attributable to equity shareholders of the Company | | **76,403** | 87,531 |
| Minority interests | | **554** | 970 |
| **Total Equity** | | **76,957** | 88,501 |

*Notes:*

1. **Basis of preparation**

The consolidated financial statements for the year ended 31 March 2009 comprise the Company and its subsidiaries. The financial statements have been prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 31 March 2008, except for the changes in accounting policies set out below. The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 March 2009, but is derived from those financial statements.

2. **Changes in accounting policies**

The Hong Kong Institutes of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Interpretations that are first effective for the current accounting period of the Group as follows:

- HK(IFRIC) 11, HKFRS 2 – Group and treasury share transactions
- HK(IFRIC) 14, HKAS 19 – The limit on a deferred benefit asset, minimum funding requirements and their interaction
- Amendment to HKAS 33, Earnings per share
- Amendment to HKAS 39, Financial instruments: Recognition and measurement and HKFRS 7, Financial instruments: Disclosures – Reclassification of financial assets

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

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

3. **Turnover**

The principal activities of the Group are designing, marketing and sales of apparel and accessories mainly under the brand name of "Hang Ten" and other brands and licensing of trademarks. Turnover represents the sales value of goods supplied to customers and royalty income from licensing of trademarks as follows:

| | **Year ended 31 March** | |
|---|---|---|
| | **2009** | 2008 |
| | ***US$'000*** | *US$'000* |
| Sales of apparel and accessories | **255,676** | 270,590 |
| Royalty income | **3,257** | 3,704 |
| | **258,933** | 274,294 |

## 4. Segmental information

The Group's business is managed on a worldwide basis, but participates in several principal economic environments. The analysis of the revenue and results and other segmental information by geographical segments of the Group during both of the financial years are as follows:

**Year ended 31 March 2009**

| | Taiwan *US$'000* | Korea *US$'000* | Philippines *US$'000* | Singapore *US$'000* | Hong Kong & Macau *US$'000* | Malaysia *US$'000* | Mainland China *US$'000* | Inter-segment elimination *US$'000* | Unallocated *US$'000* | Total *US$'000* |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | 115,911 | 96,353 | 5,316 | 15,839 | 6,679 | 2,687 | 12,891 | – | 3,257 | 258,933 |
| Inter-segment revenue | 5,330 | – | – | – | – | – | – | (5,330) | – | – |
| Total revenue | 121,241 | 96,353 | 5,316 | 15,839 | 6,679 | 2,687 | 12,891 | (5,330) | 3,257 | 258,933 |
| Segment result | 10,528 | 4,322 | (603) | (1,532) | (219) | (303) | (1,111) | (14) | | 11,068 |
| Unallocated operating income and expenses | | | | | | | | | | 3,454 |
| Profit from operations | | | | | | | | | | 14,522 |
| Finance costs | | | | | | | | | | (1,218) |
| Income tax | | | | | | | | | | (2,991) |
| Profit after taxation | | | | | | | | | | 10,313 |
| Depreciation and amortisaton for the year | 1,585 | 1,729 | 193 | 444 | 176 | 120 | 977 | | 33 | 5,257 |
| Impairment losses on trade and other receivables | – | 50 | – | – | – | – | – | | – | 50 |
| (Reversal of)/write-down of inventories | (426) | (996) | 123 | 47 | 41 | (24) | 47 | | – | (1,188) |
| Segment assets | 109,697 | 35,395 | 2,123 | 3,862 | 1,657 | 1,404 | 5,117 | (54,185) | | 105,070 |
| Unallocated assets | | | | | | | | | | 31,784 |
| Total assets | | | | | | | | | | 136,854 |
| Segment liabilities | 33,679 | 7,807 | 1,178 | 9,259 | 5,731 | 2,295 | 4,446 | (38,880) | | 25,515 |
| Unallocated liabilities | | | | | | | | | | 34,382 |
| Total liabilities | | | | | | | | | | 59,897 |
| Capital expenditure incurred during the year | 12,636 | 6,547 | 94 | 466 | 109 | 374 | 780 | | | 21,006 |
| Unallocated capital expenditure | | | | | | | | | | 712 |
| | | | | | | | | | | 21,718 |

Year ended 31 March 2008

| | Taiwan US$'000 | Korea US$'000 | Philippines US$'000 | Singapore US$'000 | Hong Kong & Macau US$'000 | Malaysia US$'000 | Mainland China US$'000 | Inter-segment elimination US$'000 | Unallocated US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | 114,909 | 123,961 | 6,036 | 14,207 | 5,855 | 2,295 | 3,327 | – | 3,704 | 274,294 |
| Inter-segment revenue | 6,328 | 96 | – | 79 | 17 | – | – | (6,520) | – | – |
| Total revenue | 121,237 | 124,057 | 6,036 | 14,286 | 5,872 | 2,295 | 3,327 | (6,520) | 3,704 | 274,294 |
| Segment result | 14,347 | 12,574 | 78 | (1,829) | (855) | (279) | 32 | (147) | | 23,921 |
| Unallocated operating income and expenses | | | | | | | | | | 4,499 |
| Profit from operations | | | | | | | | | | 28,420 |
| Finance costs | | | | | | | | | | (1,035) |
| Income tax | | | | | | | | | | (5,799) |
| Profit after taxation | | | | | | | | | | 21,586 |
| Depreciation and amortisaton for the year | 1,411 | 1,849 | 238 | 480 | 316 | 156 | 188 | | 26 | 4,664 |
| Impairment losses/ (reversal of impairment losses) on trade and other receivables | – | 12 | – | – | – | – | – | | (132) | (120) |
| (Reversal of)/write-down of inventories | (120) | 2,042 | 33 | 31 | 7 | 74 | 305 | | – | 2,372 |
| Segment assets | 96,890 | 44,428 | 2,852 | 4,343 | 1,674 | 1,205 | 6,151 | (36,972) | | 120,571 |
| Unallocated assets | | | | | | | | | | 31,893 |
| Total assets | | | | | | | | | | 152,464 |
| Segment liabilities | 25,809 | 8,518 | 1,756 | 8,490 | 5,529 | 1,720 | 5,730 | (27,277) | | 30,275 |
| Unallocated liabilities | | | | | | | | | | 33,688 |
| Total liabilities | | | | | | | | | | 63,963 |
| Capital expenditure incurred during the year | 2,813 | 3,202 | 162 | 217 | 146 | 126 | 1,451 | | | 8,117 |
| Unallocated capital expenditure | | | | | | | | | | – |
| | | | | | | | | | | 8,117 |

The analysis of the Group's revenue by business segments is as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2009** | 2008 |
| | ***US$'000*** | *US$'000* |
| Revenue from external customers: | | |
| – Sales of apparel and accessories | **255,676** | 270,590 |
| – Royalty income | **3,257** | 3,704 |
| | **258,933** | 274,294 |
| Segment assets: | | |
| – Sales of apparel and accessories | **95,263** | 113,966 |
| – Royalty income | **1,155** | 2,202 |
| – Unallocated (including trademarks) | **40,436** | 36,296 |
| | **136,854** | 152,464 |
| Capital expenditure incurred during the year: | | |
| – Sales of apparel and accessories | **21,006** | 8,117 |
| – Unallocated | **712** | – |
| | **21,718** | 8,117 |

## 5. Other revenue and net (loss)/ income

| | Year ended 31 March | |
|---|---|---|
| | **2009** | 2008 |
| | ***US$'000*** | *US$'000* |
| Other revenue | | |
| Gross rentals from investment properties | **370** | – |
| Other rental income | **304** | 442 |
| Management fee income | **821** | 841 |
| Bank interest income | **658** | 663 |
| Claims receivable from suppliers | **1,035** | 979 |
| Others | **2,038** | 1,102 |
| | **5,226** | 4,027 |
| Other net (loss)/ income | | |
| Net (loss)/gain on disposal of fixed assets | **(734)** | 136 |
| Net foreign exchange (loss)/gain | **(3,672)** | 1,000 |
| Net (loss)/gain on forward foreign exchange contracts | **(84)** | 97 |
| Net realised and unrealised gains on listed funds | **57** | 185 |
| Others | **265** | 292 |
| | **(4,168)** | 1,710 |

## 6. Profit before taxation

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

| | | Year ended 31 March | |
|---|---|---|---|
| | | **2009** | 2008 |
| | | ***US$'000*** | *US$'000* |
| (a) | Finance costs | | |
| | Interest on bank advances wholly repayable within five years | **233** | 50 |
| | Interest on loans from shareholders | **985** | 985 |
| | | **1,218** | 1,035 |
| (b) | Other items | | |
| | Cost of inventories | **116,965** | 116,139 |
| | Staff costs | **29,808** | 30,646 |
| | Auditors' remuneration | **247** | 268 |
| | Depreciation | **5,198** | 4,638 |
| | Amortisation of intangible assets | **59** | 26 |
| | Operating lease charges (including retail shops and department store counters) | | |
| | – minimum lease payments | **23,257** | 25,200 |
| | – contingent rentals | **32,802** | 29,274 |
| | Impairment loss on intangible assets | **211** | – |
| | Commission to franchisees | **15,321** | 21,940 |
| | Impairment losses/(reversal of impairment losses) on trade and other receivables | **50** | (120) |

## 7. Income tax

| | Year ended 31 March | |
|---|---|---|
| | **2009** | 2008 |
| | ***US$'000*** | *US$'000* |
| Current tax – Overseas | | |
| Provision for the year | **3,121** | 5,687 |
| (Over)/under-provision in respect of prior years | **(4)** | 362 |
| | **3,117** | 6,049 |
| Deferred tax | | |
| Origination and reversal of temporary differences | **(354)** | (250) |
| Effect on deferred tax balances at 1 April resulting from a change in tax rate | **228** | – |
| | **(126)** | (250) |
| | **2,991** | 5,799 |

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

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries. The income tax rate for the Group's subsidiary in Korea for the year ending 31 March 2010 would be reduced from 27.5% to 24.2%. The decrease is taken into account in the preparation of the Group's 2009 financial statements and the opening balance of deferred tax has been re-estimated accordingly.

## 8. Dividends

| | Year ended 31 March | |
|---|---|---|
| | **2009** | 2008 |
| | ***US$'000*** | *US$'000* |
| Final dividend proposed after the balance sheet date of HK4.0 cents (2008: HK6.0 cents) per ordinary share (equivalent to approximately US0.52 cent (2008: US0.77 cent) per ordinary share) | **5,066** | 7,600 |
| Special dividend proposed after the balance sheet date of HK nil cent (2008: HK1.0 cent) per ordinary share (equivalent to approximately US nil cent (2008: US0.13 cent) per ordinary share) | **–** | 1,266 |
| | **5,066** | 8,866 |

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

## 9. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of US$10,696,000 (2008: US$21,563,000) and 982,250,000 (2008: 982,250,000) ordinary shares in issue during the year.

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

## 10. Intangible assets

| | As at 31 March | |
|---|---|---|
| | **2009** | 2008 |
| | ***US$'000*** | *US$'000* |
| Trademarks | **17,686** | 17,528 |
| Retail network | **295** | 354 |
| | **17,981** | 17,882 |

## 11. Trade and other receivables

| | As at 31 March | |
|---|---|---|
| | **2009** | 2008 |
| | ***US$'000*** | *US$'000* |
| Trade debtors | **11,152** | 15,608 |
| Royalty receivables | **675** | 696 |
| Less: Allowance for doubtful debts | **(435)** | (415) |
| | **11,392** | 15,889 |
| Forward foreign exchange contracts | **–** | 97 |
| Rental deposits | **9,745** | 12,622 |
| Prepayments and other receivables | **3,793** | 4,689 |
| | **24,930** | 33,297 |

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

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

| | As at 31 March | |
|---|---|---|
| | **2009** | 2008 |
| | ***US$'000*** | *US$'000* |
| Neither past due nor impaired | **9,628** | 13,490 |
| 1 to 3 months past due | **1,556** | 2,334 |
| More than 3 months but less than 1 year past due | **208** | 65 |
| Amounts past due | **1,764** | 2,399 |
| | **11,392** | 15,889 |

The Group's credit risk is primarily attributable to wholesale of goods and royalty receivables as retail sales to customers are made in cash or through credit cards. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are generally due within 30 to 60 days from the date of billing. The Group occasionally requests cash deposits as collateral from customers.

12. **Trade and other payables**

| | As at 31 March | |
|---|---|---|
| | **2009** | 2008 |
| | ***US$'000*** | *US$'000* |
| Trade creditors | **11,686** | 12,334 |
| Bills payable | **307** | 818 |
| Interest on loans from shareholders | **985** | 985 |
| Forward foreign exchange contracts | **84** | – |
| Accrued charges | **4,980** | 7,311 |
| Deferred income | **1,180** | 1,180 |
| Deposits received | **4,749** | 4,185 |
| Others | **4,513** | 3,714 |
| | **28,484** | 30,527 |

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

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

| | As at 31 March | |
|---|---|---|
| | **2009** | 2008 |
| | ***US$'000*** | *US$'000* |
| Due within 1 month or on demand | **9,732** | 9,772 |
| Due after 1 month but within 3 months | **1,994** | 2,206 |
| Due after 3 months but within 6 months | **267** | 1,174 |
| | **11,993** | 13,152 |

## DIVIDEND

The directors proposed a final dividend of Hong Kong 4.0 cents per share for the year ended 31 March 2009 to the holders of ordinary shares of the Company whose names appear on the register of members of the Company on 9 September 2009 and are subject to the approval by the shareholders in the forthcoming annual general meeting of the Company. The final dividend, if approved by the shareholders, are expected to be payable on or around 25 September 2009.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 September 2009 to 9 September 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend payable on or around 25 September 2009 to be approved at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrars of the Company in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 6 September 2009.

## BUSINESS AND OPERATIONAL REVIEW

### Operation Overview

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

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

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

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

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

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

### Apparel Sales

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

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

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

*Taiwan*

Taiwan contributed about 44.8% (2008: 41.9%) of the total turnover of the Group. Total sales in the Taiwan market for the year ended 31 March 2009 amounted to US$115,911,000 (2008: US$114,909,000), of which retail sales amounted to US$105,207,000 (2008: US$106,556,000) and sales generated from distributing activity amounted to US$10,704,000 (2008: US$8,353,000). The general economic environment in Taiwan remained sluggish due to the financial turmoil and general consumer sentiments and purchasing power remained weak during the year. However, the Group managed to maintain the sales level.

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

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

*South Korea*

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

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

*Philippines*

The Philippines market had also been affected by the financial turmoil and a weak local currency. Philippines contributed to about 2.1% (2008: 2.2%) of the Group's turnover. Sales for the year ended 31 March 2009 amounted to US$5,316,000 (2008: US$6,036,000). The Group recorded an operating loss of US$603,000 (2008: operating profit of US$78,000) in this market. The Group had 48 retail stores (2008: 50 stores) in the Philippines as at 31 March 2009 with total retail floor area of approximately 36,000 square feet (2008: 37,000 square feet).

*Singapore and Malaysia*

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

*Hong Kong and Macau*

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

*Mainland China*

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

**Licensing Operation**

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

**Capital Structure**

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

### Liquidity and Financial Resources

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

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

As at 31 March 2009, the Group had financial facilities provided by banks amounting to approximately US$23,715,000, of which US$4,146,000 had been utilized. Certain of the banking facilities were secured by the pledge of certain land and buildings and an investment property with carrying values of US$3,254,000 and US$865,000 respectively. Total indebtedness as at 31 March 2009, comprising bank loans of US$4,146,000 (2008: US$2,741,000), loans from shareholders of US$16,400,000 (2008: US$16,400,000) and loans from minority shareholders of a subsidiary of US$393,000 (2008: US$ nil) amounted to US$20,939,000 (2008: US$19,141,000) and represented 15.3% (2008: 12.6%) of the total assets of the Group.

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

### Contingent Liabilities

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

### Human Resources

As at 31 March 2009, the Group had approximately 2,100 full time employees. About 1,800 employees were engaged in sales and marketing functions. The Group offers its employees competitive remuneration packages based on industry's practices and performance of individual employees. The Company had also adopted a share option scheme to which employees may participate. There was no option outstanding as at 31 March 2009.

## OUTLOOK

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

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

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

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

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

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

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

## PURCHASE, SALE OR REDEMPTION OF SHARES

There had been no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the year ended 31 March 2009.

## CORPORATE GOVERNANCE

The Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2009.

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report circulated in the 2009 Annual Report, which will be dispatched to shareholders of the Company.

## AUDIT COMMITTEE

The Company has an audit committee (the "Committee") established for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2009. The Committee comprises the three independent non-executive directors of the Company.

By Order of the Board
**Chan Wing Sun**
*Chairman*

9 July 2009
Hong Kong

*As at the date of this announcement, Mr. Chan Wing Sun, Mr. Kenneth Hung, Ms. Kao Yu Chu and Ms. Wang Li Wen are executive directors, Mr. Cheung Yat Hung Alton, Mr. Kwong Chi Keung and Mr. So Hon Cheung Stephen are independent non-executive directors.*