bauhaus

Bauhaus International (Holdings) Limited

包浩斯國際（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 483)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2008

The board of directors (the "Directors") of Bauhaus International (Holdings) Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2008, prepared on the basis set out in note 1 to the consolidated financial statements below, together with the comparative figures of the previous year, as follows:

RESULTS

Consolidated Income Statement
Year ended 31 March 2008

	Notes	**2008** **HK$'000**	2007 HK$'000
REVENUE	5	**617,612**	509,248
Cost of sales		**(204,353)**	(184,580)
Gross profit		**413,259**	324,668
Other income and gains	5	**5,889**	4,931
Selling and distribution costs		**(260,831)**	(198,036)
Administrative expenses		**(77,564)**	(58,953)
Other expenses		**(1,369)**	(5,848)
Finance costs	7	**—**	(236)
PROFIT BEFORE TAX	6	**79,384**	66,526
Tax	8	**(12,349)**	(9,301)
PROFIT FOR THE YEAR		**67,035**	57,225
DIVIDENDS	9		
Interim		**8,986**	8,766
Proposed final		**17,973**	10,783
Proposed special		**21,567**	19,770
		48,526	39,319
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		**18.65 cents**	16.26 cents

Consolidated Balance Sheet

31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**50,699**	31,009
Prepaid land lease payments		**11,865**	7,174
Intangible assets		**1,632**	1,898
Available-for-sale financial asset		**—**	3,900
Held-to-maturity debt securities		**1,679**	—
Deferred tax assets		**8,082**	6,989
Rental, utility and other non-current deposits		**44,258**	30,395
Total non-current assets		**118,215**	81,365
CURRENT ASSETS			
Inventories		**112,160**	98,248
Trade and bills receivables	*11*	**22,861**	19,201
Prepayments, deposits and other receivables		**18,344**	11,116
Prepaid land lease payments, current portion		**255**	155
Tax recoverable		**1,773**	2,205
Available-for-sale financial asset		**3,900**	—
Cash and cash equivalents		**154,985**	161,099
Total current assets		**314,278**	292,024
CURRENT LIABILITIES			
Trade and bills payables	*12*	**17,051**	9,553
Other payables and accruals		**46,242**	27,868
Due to a related company		**307**	198
Tax payable		**4,077**	5,272
Total current liabilities		**67,677**	42,891
NET CURRENT ASSETS		**246,601**	249,133
TOTAL ASSETS LESS CURRENT LIABILITIES		**364,816**	330,498
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**845**	682
Net assets		**363,971**	329,816
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**35,945**	35,945
Reserves		**288,486**	263,318
Proposed dividends		**39,540**	30,553
Total equity		**363,971**	329,816

1. BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2008. 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 significant intercompany transactions and balances within the Group are eliminated on consolidation.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions

Except for HKFRS 7 and HKAS 1 Amendment, giving rise to new and revised accounting policies and additional disclosures, the adoption of other new and revised standards and interpretations has had no material effect on these financial statements.

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

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payments — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[2]
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2008
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2009

The Directors anticipate that the adoption of these new and revised standards and interpretations will have no material financial impact to the Group.

4. SEGMENT INFORMATION

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

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

(a) Hong Kong and Macau

(b) Taiwan

(c) Mainland China

(d) Elsewhere

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

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

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

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

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

4. SEGMENT INFORMATION (CONTINUED)

(a) Geographical segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments for the years ended 31 March 2008 and 2007.

	Hong Kong and Macau		Taiwan		Mainland China		Elsewhere		Eliminations		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**457,983**	383,573	**61,614**	42,827	**52,611**	32,490	**45,404**	50,358	**—**	—	**617,612**	509,248
Intersegment sales	**—**	—	**21,428**	15,634	**3,209**	499	**—**	—	**(24,637)**	(16,133)	**—**	—
Total	**457,983**	383,573	**83,042**	58,461	**55,820**	32,989	**45,404**	50,358	**(24,637)**	(16,133)	**617,612**	509,248
Segment results	**73,820**	59,259	**12,761**	1,170	**12,085**	14,244	**7,296**	11,277	**—**	—	**105,962**	85,950
Bank interest income											**2,188**	2,236
Unallocated expenses											**(28,766)**	(21,424)
Finance costs											**—**	(236)
Profit before tax											**79,384**	66,526
Tax											**(12,349)**	(9,301)
Profit for the year											**67,035**	57,225

4. SEGMENT INFORMATION (CONTINUED)

	Hong Kong and Macau		Taiwan		Mainland China		Elsewhere		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities										
Segment assets	**148,286**	120,642	**27,576**	20,351	**53,911**	29,760	**12,251**	16,355	**242,024**	187,108
Unallocated assets									**190,469**	186,281
Total assets									**432,493**	373,389
Segment liabilities	**44,906**	18,898	**1,987**	1,455	**15,029**	6,215	**1,678**	2,051	**63,600**	28,619
Unallocated liabilities									**4,922**	14,954
Total liabilities									**68,522**	43,573
Other segment information:										
Capital expenditure	**24,801**	6,117	**1,944**	656	**2,636**	948	**103**	1,502	**29,484**	9,223
Unallocated capital expenditure									**9,390**	2,376
									38,874	11,599
Depreciation	**8,682**	8,438	**1,476**	878	**917**	83	**197**	117	**11,272**	9,516
Unallocated depreciation									**2,433**	2,040
									13,705	11,556
Loss on disposal/write-off of items of property, plant and equipment	**931**	690	**—**	—	**—**	—	**—**	—	**931**	690
Recognition of prepaid land lease payments	**225**	155	**—**	—	**—**	—	**—**	—	**225**	155
Write-off of intangible assets	**2**	—	**—**	—	**4**	—	**—**	—	**6**	—
Amortisation of intangible assets	**77**	62	**34**	23	**31**	53	**302**	214	**444**	352
Impairment/(write-back of provision for impairment) of trade receivables	**—**	—	**—**	3,784	**—**	—	**(12)**	600	**(12)**	4,384

4. SEGMENT INFORMATION (CONTINUED)

(b) Business segments

The following tables present revenue and certain asset and expenditure information for the Group's business segments for the years ended 31 March 2008 and 2007.

	2008	2007
	HK$'000	*HK$'000*
Segment revenue:		
Sales to external customers:		
Retail	**532,220**	429,021
Wholesale	**46,536**	51,497
Franchise	**38,856**	28,730
	617,612	509,248
Other segment information:		
Segment assets:		
Retail	**226,111**	160,714
Wholesale	**15,472**	21,620
Franchise	**441**	4,774
	242,024	187,108
Corporate and other unallocated assets	**190,469**	186,281
Total assets	**432,493**	373,389
Capital expenditure:		
Retail	**28,019**	7,256
Wholesale	**1,314**	444
Franchise	**151**	1,523
	29,484	9,223
Corporate and other unallocated amounts	**9,390**	2,376
Total capital expenditure	**38,874**	11,599

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	
	2008	2007
	HK$'000	*HK$'000*
Revenue		
Sale of garment products and accessories	**617,612**	509,248
Other income		
Bank interest income	**2,188**	2,236
Others	**1,766**	2,594
	3,954	4,830
Gains		
Foreign exchange differences, net	**1,935**	101
	5,889	4,931

6. PROFIT BEFORE TAX

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

	2008	2007
	HK$'000	*HK$'000*
Cost of inventories sold	**210,347**	172,785
Depreciation	**13,705**	11,556
Provision/(write-back of provision) for slow-moving inventories, net	**(5,994)**	11,795
Rental expenses under operating leases in respect of equipment:		
Minimum lease payments	**554**	185
Contingent rents	**67**	—
	621	185
Rental expenses under operating leases in respect of land and buildings:		
Minimum lease payments	**120,136**	87,313
Contingent rents	**18,905**	12,459
	139,041	99,772

6. PROFIT BEFORE TAX (CONTINUED)

	2008	2007
	HK$'000	*HK$'000*
Auditors' remuneration	**1,874**	1,721
Recognition of prepaid land lease payments	**225**	155
Employee benefits expense:		
Wages, salaries and other benefits	**110,518**	89,943
Pension scheme contributions*	**4,897**	3,961
	115,415	93,904
Other expenses:		
Loss on disposal/write-off of items of property, plant and equipment	**931**	690
Write-off of intangible assets	**6**	—
Amortisation of intangible assets	**444**	352
Impairment/(write-back of provision for impairment) of trade receivables	**(12)**	4,384
Others	**—**	422
	1,369	5,848

* At the balance sheet date, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2007: Nil).

7. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**—**	211
Interest on bank overdrafts	**—**	3
Others	**—**	22
	—	236

8. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) 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, based on existing legislation, interpretations and practices in respect thereof.

The People's Republic of China ("PRC") corporate income tax ("CIT") are applicable to the two (2007: four) subsidiaries located in Mainland China. Currently, one of them is entitled to tax holidays with a full exemption of CIT for the first two profit-making years, followed by a 50% reduction of CIT for the succeeding three years. The other PRC subsidiary is registered as a foreign invested enterprise in the area of Shenzhen Special Economic Zone and is eligible for a concessionary CIT rate. Accordingly, these subsidiaries are subject to the applicable CIT rate ranging from 15% to 18% during their financial year ended 31 December 2007.

8. TAX (CONTINUED)

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), which became effective from 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. In addition, for those enterprises benefiting from lower preferential tax rates, such preferential rates will be gradually phased out by increasing them over the next five years. This change in income tax rate has directly increased the Group's effective tax rate prospectively from 1 January 2008.

The subsidiary in Taiwan is subject to income tax at the statutory tax rate of 25%. In addition, a further 10% income tax is charged on any undistributed earnings as at each calendar year end date for that subsidiary.

No Macau profits tax has been provided for a Macau subsidiary as this subsidiary 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 (2007: Nil).

	2008	2007
	HK$'000	*HK$'000*
Current tax — Hong Kong		
Provision for the year	**8,328**	10,785
Overprovision in prior years	**(279)**	(222)
Current tax — Elsewhere		
Provision for the year	**5,104**	1,659
Overprovision in prior years	**—**	(29)
Deferred tax credit	**(804)**	(2,892)
Total tax charge for the year	**12,349**	9,301

9. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Interim — HK2.5 cents (2007: HK2.5 cents) per ordinary share	**8,986**	8,766
Proposed final — HK5.0 cents (2007: HK3.0 cents) per ordinary share	**17,973**	10,783
Proposed special — HK6.0 cents (2007: HK5.5 cents) per ordinary share	**21,567**	19,770
	48,526	39,319

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.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of HK$67,035,000 (2007: HK$57,225,000) and the weighted average number of ordinary shares in issue during the year of 359,450,000 (2007: 351,951,918).

Diluted earnings per share amounts have not been presented as no diluting events existed during the years ended 31 March 2008 and 2007.

11. TRADE AND BILLS RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade and bills receivables	**26,921**	23,585
Impairment	**(4,060)**	(4,384)
	22,861	19,201

Retail sales are made on cash terms or by credit card with very short credit terms. Wholesale and franchise sales 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. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management of the Group. 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 normally settled on 30-day to 60-day terms. Trade and bills receivables are non-interest-bearing.

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

	2008	2007
	HK$'000	*HK$'000*
Within 90 days	**22,422**	18,170
91 to 180 days	**396**	1,031
181 to 365 days	**43**	—
	22,861	19,201

12. TRADE AND BILLS PAYABLES

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

	2008	2007
	HK$'000	*HK$'000*
Within 90 days	**16,654**	9,194
91–180 days	**176**	346
181–365 days	**179**	13
Over 365 days	**42**	—
	17,051	9,553

The trade payables are non-interest-bearing and are normally settled on 30-day to 60-day terms. The carrying amounts of trade and bills payables approximate to their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

To sustain business development at a fast pace and at managed risk, the Group adopted three-dimensional growth strategies (the "3D Growth Strategies") during the year under review. The "3D" stands for market diversification, product diversification and geographical diversification, with the ultimate goal of fostering long-term growth of the Group's business. In the year under review guided by its 3D Growth Strategies, the Group achieved the fifth year in a row, double-digit growth in turnover at about 21.3% and recorded HK$617.6 million (2007: HK$509.3 million). Moreover, the Group's net profit was also improved remarkably by about 17.1% up to about HK$67.0 million for the year ended 31 March 2008 (2007: HK$57.2 million) despite surging rental expenses and staff costs.

As at 31 March 2008, the Group had the following self-managed retail outlets and franchise network in Hong Kong, Macau, Taiwan and Mainland China under the brand names of "BAUHAUS", "TOUGH", "SALAD", "80/20", "ELITE" and "ATTACHMENT".

	As at 31 March 2008	As at 31 March 2007
Self-managed outlets		
Hong Kong	**52**	44
Macau	**3**	—
Taiwan	**23**	18
Shanghai	**6**	2
	84	64
Franchised outlets		
Mainland China & Macau	**54**	35
TOTAL	**138**	99

Retail Operation

The Group's retail operation remained strong for the year ended 31 March 2008, with turnover up by about 24.0% to about HK$532.2 million (2007: HK$429.1 million).

Hong Kong and Macau

Retail operation in Hong Kong, which accounted for about 70.0% of the Group's turnover during the year under review, sustained steady growth at about 12.8% to about HK$432.6 million (2007: HK$383.6 million), with the support of an extensive retail network strategically laid out to cover prime shopping areas and dedicated sales efforts.

In view of the positive consumption sentiment, the Group took an important strategic move by diversifying horizontally across the mass market segment in addition to continuous pursuit of existing market niche. Traditionally, the Group's in-house brands impress customers, high-spending and loyal, with their unique and trendy styles. However, the scale of such niche market is limited. Seeing immense potentials in the mass and high-end markets and armed with proven design strengths and retail expertise, the Group gradually adjusted its product mix and introduced various new in-house brands of various trendy fashion styles. In June 2007 and November 2007, the Group launched a new fashion accessories specialty shop "ATTACHMENT" and a new premium shop "ELITE" respectively, marking its diversification into the fashion accessories and high-end trendy wear market. Sales of the new shops have been climbing satisfactorily since the openings. These strategies bearing results are expected to help to boost the Group's market share and diversify its customer base.

In Macau, the Group commenced self-managed retail business during the year under review. It established 3 flagship shops in prime shopping areas in Macau to tap its huge market potential. The new shops reported very encouraging sales, amounting to about HK$23.6 million (2007: Nil) during the year under review.

Taiwan

As for the retail operation in Taiwan, it continued to achieve record-breaking results. During the year ended 31 March 2008, turnover from the market jumped impressively by about 43.9% to about HK$61.6 million (2007: HK$42.8 million), thanks to enhanced management efforts, intensive staff training and solid support of an extensive retail network. The Group sustained leadership in the trendy fashion retail market in Taiwan out-performing the industry average.

Mainland China

Adhering to its 3D Growth Strategies, the Group also deepened penetration of retail market in Mainland China. During the year under review, the Group set up 4 more self-managed retail shops in Shanghai, bringing the total number of shops in this metropolis to 6 at the balance sheet date, to brace the growth momentum of its business in the country. The total sales contribution from the Mainland China retail business increased exponentially to about HK$14.4 million (2007: HK$2.7 million), which was over five times the amount recorded for the last financial year.

Wholesale Operation

The Group's wholesale operation recorded a decline of about 9.7% in turnover to about HK$46.5 million (2007: HK$51.5 million), which was mainly attributable to a drop in Japan sales as a result of volatile demand in the Japanese market. Sales to other overseas markets, however, achieved a robust growth of about 24.2%. To minimise the impact of fluctuating demand on its wholesale business in certain regions, the Group has been diversifying its customer base aiming for a balance among different regions. In addition, by continuing to streamline its distribution channels, the Group maintained sales efficiency. It also attended certain reputable international fashion shows to boost exposure of the Group's in-house brands. As at 31 March 2008, the Group's wholesale business covered over 20 countries in Southeast Asia, the Middle East, Europe and North America.

Franchise Business

Franchise business in the Mainland China and Macau continued to be one of the key growth drivers of the Group. Bolstered by continued strong demand in these two regions, the Group's turnover from the franchise business grew notably by about 35.5% to about HK$38.9 million (2007: HK$28.7 million) for the year ended 31 March 2008. After dedicating year of efforts in establishing systematic and well-coordinated franchise networks in different parts of China, "TOUGH" is now an acclaimed brand in the country. The Group's franchise network in the Mainland China has rapidly expanded in recent years and covered a number of major first-tier and second-tier cities. The Group had commenced another phase of development focusing on deepening penetration of the brand in each city and introducing "SALAD" shops into the franchise network.

Financial Review

Turnover

The Group achieved an about 21.3% growth in turnover during the year under review. Its sales reached about HK$617.6 million (2007: HK$509.3 million), resulting mainly sustained sales growth with the support of expanded retail and distribution networks in all major markets including Hong Kong, Macau, Taiwan and Mainland China.

Gross Profit

During the year under review, the Group recorded gross profit of about HK$413.3 million (2007: HK$324.7 million). With overwhelming consumption sentiment in the local market, the Group increased retail price of its in-house brand products to compensate purchase cost increment resulting from appreciation of the Renminbi and Euro. Apart from strong overall sales performance in general, at strengthened inventory control and the launch of bi-annual bargain sale events during the year under review, aged and slow moving inventories were significantly reduced leading to a net write-back of provision for slow moving inventories of about HK$6.0 million (2007: provision of about HK$11.8 million) for the year ended 31 March 2008. These achievements together pushed gross margin of the Group up by about 3.1 percentage point to about 66.9% (2007: 63.8%).

Operating Expenses

The Group's operating expenses soared by about 29.2% to about HK$339.8 million during the year ended 31 March 2008 (2007: HK$263.1 million). The overall operating expenses as a percentage of turnover was about 55.0% (2007: 51.7%).

Rental, one of the major operating expenses of the Group, surged by about 39.3% to about HK$139.0 million (2007: HK$99.8 million) during the year under review, mainly attributable to the increase in market rents, number of retail outlets and gross shop areas. The rental expenses represented about 22.5% (2007: 19.6%) of the Group's turnover and accounted for about 40.9% (2007: 37.9%) of the Group's total operating expenses. Heeding the impact of the increase in rental expenses on its profit margin, the Group resorted to adding outlets strategically in prime shopping areas, optimising utilisation of sales areas and keeping rentals in check at all times during the year under review.

Also a key operating cost, staff costs rose moderately by about 22.8% to about HK$115.8 million (2007: HK$94.3) during the year ended 31 March 2008. While ensuring the competitiveness of its sales force is vital for the Group to keep expanding its business in the competitive retail markets, it is also essential for the Group to control staff cost increment at a reasonable level. Thus the Group not only offers competitive remuneration packages to sales staff, but also links their rewards with performance, personal and of the Group. Staff cost increment for the year under review was generally maintained at comparable level of sales growth.

The Group is dedicated to promote the image and customer awareness to all its brands, in-house or those it represents. Multi-promotional efforts to complement new shop opening and launch of new in-house labels during the year under review lead to an increase in advertising and promotional expenses to about HK$9.8 million (2007: HK$7.4 million) or up about 32.4%. Depreciation was also up by about 18.1% to about HK$13.7 million (2007: HK$11.6 million) as a result of substantial increase in capital expenditure for supporting expansion of the self-managed retail networks in Hong Kong, Macau, Taiwan and Mainland China.

The Group will continue to devote great efforts to streamline both its local and overseas distribution networks to improve operational efficiency and trim costs.

Segment information

Detailed segment turnover and contribution to profit before tax of the Group are shown in note 4 to this announcement.

Net Profit

The Group's net profit attributable to equity shareholders reached about HK$67.0 million (2007: HK$57.2 million) for the year ended 31 March 2008, up about 17.1%. Net profit margin, however, dropped slightly from about 11.2% to about 10.9% as a result of soaring operating costs, especially rentals. Although some operating conditions were challenging, the Group still saw and seized many opportunities in both the local and overseas markets to grow business. With appropriate strategies in action, flexibility in execution of those strategies and prudent risk management, the Group expects to achieve fast and sustainable growth in both turnover and profit in coming years.

Capital Structure

As at 31 March 2008, the Group had net assets of approximately HK$364.0 million (2007: HK$329.8 million), comprising non-current assets of about HK$118.2 million (2007: HK$81.4 million), net current assets of about HK$246.6 million (2007: HK$249.1 million) and non-current liabilities of about HK$0.8 million (2007: HK$0.7 million).

Liquidity And Financial Resources

As at 31 March 2008, the Group had cash and cash equivalents of approximately HK$155.0 million (2007: HK$161.1 million). The Group had no gearing at the balance sheet date. As at 31 March 2008, the Group had aggregate banking facilities of approximately HK$21.0 million (2007: HK$19.0 million) comprising interest-bearing bank overdraft, rental and utility guarantees and import and export facilities, of which HK$14.2 million had not been utilised.

Cash Flows

For the year ended 31 March 2008, net cash inflow from operating activities was about HK$67.7 million (2007: HK$55.0 million), mainly attributable to increase in the Group's revenue. Net cash outflow from investing activities jumped significantly from about HK$11.4 million in 2007 to about HK$40.5 million in 2008 because the Group expanded its self-managed retail network aggressively across Hong Kong, Macau, Taiwan and Mainland China. Net cash outflow from financing activities during the year under review amounted to about HK$39.5 million (2007: HK$22.9 million) was mainly resulted from payment of dividends to shareholders.

Security

As at 31 March 2008, 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$6.6 million (2007: HK$6.7 million) and HK$3.4 million (2007: HK$3.5 million) respectively.

Capital Commitment

As at 31 March 2008, the Group had capital commitment amounted to about HK$1.8 million (2007: Nil) contracted but not provided for in the financial statements. The Company had no significant capital commitment as at the balance sheet date (2007: Nil).

Contingent Liabilities

As at 31 March 2008, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK$6.8 million (2007: HK$4.9 million). The Company had no contingent liabilities as at the balance sheet date (2007: Nil).

Human Resources

Including all directors, the Group had 1,325 employees as at 31 March 2008 (2007: 999). To attract and retain high performance staff, the Group had provided competitive remuneration packages with performance bonuses, mandatory provident fund, insurance and medical coverage as well as entitlements to share options to be granted under a share option scheme based on employees' performance, experience and prevailing market rate. Remuneration packages were reviewed regularly. Regarding staff development, the Group provided regular in-house training to retail staff and subsidised them on external training programmes.

Foreign Exchange Risk Management

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

Use of Proceeds

The proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange in May 2005, after deduction of related issuance expenses, amounted to approximately HK$112.4 million. As at 31 March 2008, these proceeds were applied in accordance with the proposed applications set out in the Company's listing prospectus, as follows:

	Per prospectus	**Utilised**	**Balance as at 31 March 2008**
	HK$'000	*HK$'000*	*HK$'000*
Expansion of distribution network	46,000	(46,000)	—
Expansion and upgrade of production facilities	15,000	(7,292)	7,708
Development of the "80/20" brand name	14,000	(14,000)	—
Marketing of the in-house brand names	13,000	(13,000)	—
Diversification into high-end fashion market	4,000	(4,000)	—
Enhancement of the in-house design and merchandising team	2,000	(2,000)	—
Sourcing of goods and fabrics	8,000	(8,000)	—
General working capital	10,400	(10,400)	—
	112,400	(104,692)	7,708

The unutilised balance was placed with the banks by the Company as short term bank deposits.

Disclosures under Listing Rules 13.13 to 13.19 of the Rules Governing the Listing of Securities on the Stock Exchange (the "listing Rules")

There was no advance to entity, no financial assistance nor guarantees to affiliated companies of the Company as at 31 March 2008 which were discloseable under Rules 13.13 to 13.19 of the Listing Rules.

Prospects

As the economy in Mainland China continues to boom, the purchasing power of the Chinese people will follow. Given the huge and growingly affluent urban population in the country with the younger generations increasing fashion-conscious, the fashion retail market in Mainland China has unlimited growth potential. As an established player in Mainland China market, the Group enjoys strong brand awareness in all of the cities where it has presence. Moving forward, the Group plans to dedicate more efforts in extending market coverage to more provinces and cities through its proven franchise network, and also deepening penetration of existing markets. The Group will also seek to strengthen brand awareness in the country by setting up more self-managed retail shops in prime areas in Shanghai and Beijing. At least 20 franchise outlets will be added in Mainland China region and at least 10 self-managed retail shops will commence their businesses in Shanghai and Beijing in the next financial year 2008/09. Riding on the management's understanding of the tastes and buying behaviours of the Chinese people and international fashion trends, the Group is well positioned to capture opportunities presented by the booming economy.

While the Mainland China market is the Group's development focus in the past few years, Hong Kong will remain as the Group's core market and home base for developing overall branding and positioning strategies. It will also be the cradle for nurturing new own brands such as "TOUGH" and "SALAD", which have become very successful. We currently have 6 branded retail shops in Hong Kong, satisfying tastes of different customer segments in the market. It is the Group's strategy to gradually extend the scope of its customer base and in turn expand market share. Although surging rental cost squeezed the Group's overall margin for the year under review, the management considers establishing presence in prime areas in the city as an important part of the Group's branding strategy. The Group will strive to achieve business growth as a means to keep rental at an acceptable level relative to overall sales.

Based on the strong growth achieved by its Taiwan and Macau operations during the year under review, the Group has full confidence in the prospects of the two markets in the coming years. Including the first "BAUHAUS" shop opened in Taiwan in May 2008 to facilitate continuous penetration of the Taiwan market, at least 10 more outlets will be launched by the end of 31 March 2009. To capture the flourishing consumption sentiment in Macau fuelled by the city's thriving leisure and entertainment business, the Group plans to open at least 4 more outlets in the city in the coming financial year.

The Group will dedicate major effort to grow its markets in the Greater China area and at the same time strive to expand its wholesale network in the Asia-Pacific region. The Group's products are currently sold to wholesalers in over 20 cities around the world, with South East Asian countries such as Thailand, Singapore and the Philippines being the major growth engines. The management is confident about the region's growth potential and will continue to explore cooperative opportunities with quality wholesalers.

In short, the management will continue to exert its best to achieve business growth and margin improvement for the Group. The Group's ultimate objective is to create value and achieve long-term satisfactory returns for shareholders.

Dividend

An interim dividend of HK2.5 cents per ordinary share for the six months ended 30 September 2007 (2006: HK2.5 cents) was paid on 25 January 2008.

The Directors recommend the payment of a final dividend of HK5.0 cents per ordinary share (2007: HK3.0 cents) and a special dividend of HK6.0 cents per ordinary share (2007: HK5.5 cents) in respect of the year. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the final and special dividends will be payable on or before 11 September 2008 to shareholders whose names appear on the register of members on 22 August 2008.

Annual General Meeting

The forthcoming annual general meeting of the Company will be held on Friday, 22 August 2008 at 11:00 a.m. A notice convening the annual general meeting will be published in the South China Morning Post and Hong Kong Economic Journal on or before Thursday, 31 July 2008 and will be also dispatched to shareholders of the Company together with the Company's 2007/08 annual report.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 20 August 2008, to Friday, 22 August 2008, 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 Tuesday, 19 August 2008.

Corporate Governance

The Company had complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31 March 2008 except for not having a separate Chairman and Chief Executive Officer. Both positions are currently held by Mr. Wong Yui Lam ("Mr. Wong").

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Being the founder of the Group, Mr. Wong has substantial experience in the fashion industry. The Directors consider that the present structure provides the Group with strong and consistent leadership which facilitate the development of the Group's business strategies and execution of its business plans in the most efficient and effective manner. The Directors believe that it is the best interest of the shareholders that Mr. Wong continues to assume the roles of the Chairman and Chief Executive Officer.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 (the "Model Code") to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. 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 during the year ended 31 March 2008.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2008.

REVIEW OF FINANCIAL INFORMATION

An audit committee of the Company (the "Audit Committee") comprising three independent non-executive directors was established on 22 April 2005 with written terms of reference. The Audit Committee has reviewed with management and external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the consolidated financial statements for the year ended 31 March 2008.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Wong Yui Lam, Madam Tong She Man, Winnie, Madam Lee Yuk Ming and Mr. Yeung Yat Hang and three independent non-executive directors, namely Dr. Wong Yun Kuen, Mr. Chu To Ki and Mr. Mak Wing Kit.

By Order of the Board
Wong Yui Lam
Chairman

Hong Kong, 15 July 2008