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 FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2010

- ➢ Total turnover of the Group increased by about 6.5% to about HK$793.8 million (2009: HK$745.6 million).
- ➢ Gross profit increased by about 8.4% to about HK$556.4 million (2009: HK$513.4 million).
- ➢ Gross margin increased by about 1.2 percentage points to about 70.1% (2009: 68.9%).
- ➢ Net profit for the year increased by about 36.5% to about HK$83.0 million (2009: HK$60.8 million).
- ➢ Net margin increased by about 2.3 percentage points to about 10.5% (2009: 8.2%).
- ➢ Basic and diluted earnings per share increased by about 36.6% to about HK23.10 cents (2009: HK16.91 cents).
- ➢ Final and special dividends of HK8.5 cents (2009: HK5.5 cents) and HK5.0 cents (2009: HK3.0 cents) respectively are proposed
  - representing a total payout of about HK$48.5 million (2009: HK$30.6 million); and
  - payout ratio (including the interim dividend of HK2.0 cents) of about 67.1% of the net profit (2009: 62.1%).

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 2010, prepared on the basis set out in Note 1 to the consolidated financial statements below, together with comparative figures of the previous year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2010

	Notes	**2010**	2009
		HK$'000	*HK$'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	*7*	**(19,256)**	(14,886)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**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
DIVIDENDS	*8*		
Interim		**7,189**	7,189
Proposed final		**30,553**	19,770
Proposed special		**17,973**	10,783
		55,715	37,742
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**23.10 cents**	16.91 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**47,986**	63,114
Prepaid land lease payments		**12,177**	11,610
Intangible assets		**1,725**	1,926
Held-to-maturity debt securities		**1,603**	1,932
Deferred tax assets		**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		**124,604**	136,939
Trade and bills receivables	*10*	**23,258**	18,477
Prepayments, deposits and other receivables		**16,684**	11,398
Prepaid land lease payments, current portion		**272**	255
Tax recoverable		**461**	1,722
Held-to-maturity debt securities		**1,949**	1,166
Cash and cash equivalents		**220,615**	144,615
Total current assets		**387,843**	314,572
CURRENT LIABILITIES			
Trade and bills payables	*11*	**13,753**	16,021
Other payables and accruals		**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		**4,674**	3,197
Net assets		**425,938**	378,347
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**35,945**	35,945
Reserves		**341,467**	311,849
Proposed dividends	*8*	**48,526**	30,553
Total equity		**425,938**	378,347

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. 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.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

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.

(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.

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]

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)-Int13 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.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units that offers 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	2009
	HK$'000	*HK$'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	2009
	HK$'000	*HK$'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	
	2010	2009
	HK$'000	*HK$'000*
Cost of inventories sold	**216,831**	233,063
Depreciation	**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	**255**	255
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and other benefits	**132,957**	130,704
Pension scheme contributions*	**6,622**	6,084
	139,579	136,788
Loss on disposal of items of property, plant and equipment	**1,524**	1,269
Amortisation of intangible assets	**324**	329
Write-off of intangible assets	**19**	–
Write-off of rental deposits	**465**	2,578
Write-off of trade and bills receivables	**4**	–
Impairment of trade and bills receivables	**–**	550
Impairment of items of property, plant and equipment	**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. 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)	**477**	(2,721)
Total tax charge for the year	**19,256**	14,886

8. 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.

9. 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.

10. 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.

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

11. 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	2009
	HK$'000	*HK$'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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

	As at 31 March 2010	As at 31 March 2009
Self-managed outlets		
Hong Kong & Macau	**60**	64
Mainland China	**24**	18
Taiwan	**39**	34
	123	116
Franchised outlets		
Mainland China	**70**	66
TOTAL	**193**	182

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 (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 this 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 85% in fiscal year of 2008/09 to 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.

PROSPECTS

Although the global financial crisis presented enormous challenges, the Group has managed to overcome the difficult time, emerging stronger. Focusing on efficiency and profitability rather than turnover growth, the Group nevertheless achieved both record-high turnover and net profit for the year with a substantial improvement in net profit margin as well. During the year, the Group sought to consolidate its financial resources and streamline its cost structure. Consequently, high-rent burden gradually alleviated, labour cost and other expenses rose at a slower pace than turnover, and cash flow greatly improved as well, providing the necessary resources for the Group to thrive in the future.

It has always been the mission of the Group to promote in-house brands with the aim of presenting quality fashion to different parts of the world. Leveraging strong brand awareness resulting from many successful years in the industry, the Group will step up efforts to further promote its in-house labels, including opening more self-managed retail shops and using innovative marketing campaigns.

Since the fourth quarter of 2009, consumption sentiment has shown gradual improvement, and particular strong growth was witnessed in Mainland China. Despite the fear of a credit crunch that ultimately led to slower economic development, the country was still able to maintain growth. Accordingly, the Group believes that there are ample opportunities to penetrate the market. In this regard, the Group plans to direct more resources to opening self-managed retail stores in different cities that are within two hours distance of Beijing, Shanghai and Guangzhou, where the Group has already established its presence. To ensure that the local workforce is of the highest calibre and in sufficient numbers to support its objectives in the country, the Group will replicate the effective training programmes that it employed in Taiwan – assigning experienced personnel to train both management and sales staff. By opening self-managed retail stores, the Group can manage the performance directly and effectively, and acquire accurate intelligence on consumer preferences, which is essential for achieving long-term success.

Delivering solid business performance, the Hong Kong and Macau operation is expected to continue providing a steady source of revenue and cash flow. The Group has continuously nurtured its in-house brands and plan to step up efforts by opening more specialty stores for well-received labels, namely, "Salad" and "80/20". The Group will also open specialty shops for new in-house brands that have been in the market for more than two years and achieved satisfactory results, such as "Twistedmind". Apart from in-house labels, the Group is weighing the possibility of employing a "shop-in-shop" strategy in which newly imported brands will be introduced into retail stores located in premium locations. Through such measures, the

Group will be able to diversify its market presence, expand its customer base and improve profit margin. Balancing stable business development with prudent cost controls, the Group will open new shops in already established areas or enlarge existing shops where feasible. The management believes that such measures will allow the Group to benefit from economies of scale, better human resource management, and more importantly, further strengthen brand awareness.

In Taiwan, capitalising on effective brand building efforts, "Bauhaus" has become a well-recognised name. The Group will duly step up efforts, using innovative marketing campaigns combined with the introduction of imported brands and those with strong potential to further enhance its position in the region.

The Group will also look into the possibilities of co-operation with other parties to explore more opportunities and further expand its development.

Looking ahead, the management is optimistic about the Group's prospects, in particular, its growth in Mainland China. With a healthier cost structure, a stronger financial position and strategic expansion measures in place, the Group is well placed to embrace opportunities ahead.

DIVIDEND

An interim dividend of HK2.0 cents per ordinary share for the six months ended 30 September 2009 (2008: HK2.0 cents) was paid on 5 February 2010.

The Directors recommended the payment of final and special dividends of HK8.5 cents (2009: HK5.5 cents) and HK5.0 cents (2009: HK3.0 cents) per ordinary share, respectively, for 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 17 September 2010 to shareholders whose names appear on the register of members on 26 August 2010.

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.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 March 2010 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 facilitates 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 2010.

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 2010.

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 2010.

PUBLICATION OF THE FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The final results announcement for the year ended 31 March 2010 is published on the website of the Company (www.bauhaus.com.hk) and the Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The Company's 2010 annual report will be dispatched to the shareholders of the Company and made available on the above websites in due course.

By Order of the Board
Wong Yui Lam
Chairman

Hong Kong, 15 July 2010

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Wong Yui Lam, 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.