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 2011

➢ Total turnover of the Group increased by about 27.5% to approximately HK$1,011.7 million (2010: HK$793.8 million).

➢ Gross profit increased by about 27.3% to approximately HK$708.2 million (2010: HK$556.4 million).

➢ Gross margin maintained at almost an identical level of about 70.0% (2010: 70.1%).

➢ Net profit for the year increased by about 39.2% to approximately HK$115.5 million (2010: HK$83.0 million).

➢ Net profit margin increased by about 0.9 percentage points to about 11.4% (2010: 10.5%).

➢ Basic and diluted earnings per share increased by about 39.1% to about HK32.14 cents (2010: HK23.10 cents).

➢ Final and special dividends of HK10.7 cents (2010: HK8.5 cents) and HK5.0 cents (2010: HK5.0 cents) respectively are proposed

- representing a total payout of approximately HK$56.4 million (2010: HK$48.5 million); and
- payout ratio (including the interim dividend of HK2.0 cents) of approximately 55.1% of the net profit (2010: 67.1%).

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 2011, prepared on the basis set out in Note 1 to the consolidated financial statements below, together with comparative figures of the previous year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2011

	Notes	**2011** ***HK$'000***	2010 *HK$'000*
REVENUE	*5*	**1,011,704**	793,792
Cost of sales		**(303,514)**	(237,370)
Gross profit		**708,190**	556,422
Other income and gains	*5*	**4,518**	3,608
Selling and distribution costs		**(458,484)**	(368,927)
Administrative expenses		**(99,431)**	(82,139)
Other expenses		**(5,994)**	(6,680)
PROFIT BEFORE TAX	*6*	**148,799**	102,284
Income tax expense	*7*	**(33,272)**	(19,256)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**115,527**	83,028
OTHER COMPREHENSIVE INCOME			
Currency translation differences		**7,679**	2,305
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**123,206**	85,333
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**32.14 cents**	23.10 cents
Diluted		**32.14 cents**	23.10 cents

Details of the dividends payable and proposed for the year are disclosed in note 8 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2011

	Notes	**31 March 2011 HK$'000**	31 March 2010 HK$'000 (restated)	1 April 2009 HK$'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**115,435**	60,435	74,979
Intangible assets		**1,714**	1,725	1,926
Held-to-maturity debt securities		**888**	1,603	1,932
Deferred tax assets		**19,069**	10,503	11,048
Rental, utility and other non-current deposits		**66,563**	50,210	49,721
Total non-current assets		**203,669**	124,476	139,606
CURRENT ASSETS				
Inventories		**201,682**	124,604	136,939
Trade and bills receivables	*10*	**34,022**	23,258	18,477
Prepayments, deposits and other receivables		**28,638**	16,684	11,398
Tax recoverable		**171**	461	1,722
Held-to-maturity debt securities		**780**	1,949	1,166
Cash and cash equivalents		**153,934**	220,615	144,615
Total current assets		**419,227**	387,571	314,317
CURRENT LIABILITIES				
Trade payables	*11*	**21,984**	13,753	16,021
Other payables and accruals		**74,704**	58,230	49,900
Tax payable		**29,773**	12,842	8,288
Total current liabilities		**126,461**	84,825	74,209
NET CURRENT ASSETS		**292,766**	302,746	240,108
TOTAL ASSETS LESS CURRENT LIABILITIES		**496,435**	427,222	379,714
NON-CURRENT LIABILITIES				
Deferred tax liabilities		**1,497**	1,284	1,367
NET ASSETS		**494,938**	425,938	378,347
EQUITY				
Equity attributable to owners of the parent				
Issued capital		**35,945**	35,945	35,945
Reserves		**402,559**	341,467	311,849
Proposed dividends	*8*	**56,434**	48,526	30,553
TOTAL EQUITY		**494,938**	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 ("HKICPA"), 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 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments 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*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009), the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations and* HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 April 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

(b) (continued)

The Group has reassessed its leases in Hong Kong and Macau, previously classified as operating leases, upon the adoption of the amendments. As substantially all the risks and rewards associated with the leases in Hong Kong and Macau have been transferred to the Group, the leases in Hong Kong and Macau have been reclassified from operating leases under "prepaid land lease payments" to finance leases under "property, plant and equipment". The corresponding amortisation has also been reclassified to depreciation. The effects of the above changes are summarised below:

	2011	2010
	HK$'000	*HK$'000*
Consolidated statement of comprehensive income for the year ended 31 March		
Decrease in amortisation of prepaid land lease payments	**(280)**	(255)
Increase in depreciation of property, plant and equipment	**280**	255
	–	–
Consolidated statement of financial position at 31 March		
Decrease in prepaid land lease payments, net	**(27,819)**	(12,449)
Increase in property, plant and equipment, net	**27,819**	12,449
	–	–

	2009
	HK$'000
Consolidated statement of financial position at 1 April	
Decrease in prepaid land lease payments, net	(11,865)
Increase in property, plant and equipment, net	11,865
	–

Due to the retrospective application of the amendments which has resulted in the restatement of items in the statement of financial position, a statement of financial position as at 1 April 2009, and the related notes affected by the amendments have been presented in 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 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* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred tax: Recovery of Underlying Assets* [4]
HKFRS 9	*Financial Instruments* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [2]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [2]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [1]

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

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 July 2010
[2] Effective for annual periods beginning on or after 1 January 2011
[3] Effective for annual periods beginning on or after 1 July 2011
[4] Effective for annual periods beginning on or after 1 January 2012
[5] 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 offer products to customers located in different geographical areas and has four reportable operating segments as follows:

(a) Hong Kong and Macau
(b) Mainland China
(c) Taiwan
(d) Elsewhere

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

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

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 March 2011	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	**648,641**	**171,088**	**161,587**	**30,388**	**1,011,704**
Intersegment sales	**–**	**2,633**	**83,259**	**946**	**86,838**
	648,641	**173,721**	**244,846**	**31,334**	**1,098,542**
Reconciliation:					
Elimination of intersegment sales					**(86,838)**
Revenue					**1,011,704**
Segment results	**114,452**	**19,696**	**38,987**	**8,606**	**181,741**
Reconciliation:					
Interest income					**607**
Unallocated expenses					**(33,549)**
Profit before tax					**148,799**
Segment assets	**215,226**	**131,438**	**95,558**	**6,895**	**449,117**
Reconciliation:					
Deferred tax assets					**19,069**
Tax recoverable					**171**
Time deposits					**3,650**
Held-to-maturity debt securities					**1,668**
Unallocated assets					**149,221**
Total assets					**622,896**
Segment liabilities	**57,454**	**32,281**	**6,494**	**459**	**96,688**
Reconciliation:					
Deferred tax liabilities					**1,497**
Tax payable					**29,773**
Total liabilities					**127,958**
Other segment information:					
Capital expenditure *	**15,771**	**15,454**	**8,183**	**136**	**39,544**
Unallocated capital expenditure *					**48,451**
					87,995
Depreciation	**12,403**	**7,249**	**4,446**	**–**	**24,098**
Amortisation of intangible assets	**59**	**31**	**42**	**208**	**340**
Unallocated depreciation					**3,516**
					27,954
Loss on disposal of items of property, plant and equipment	**194**	**785**	**–**	**–**	**979**
Write-off of intangible assets	**–**	**–**	**–**	**14**	**14**
Write-off of rental deposits	**–**	**111**	**–**	**–**	**111**
Impairment of trade and bills receivables	**–**	**1**	**–**	**–**	**1**
Impairment of items of property, plant and equipment	**3,218**	**1,300**	**–**	**–**	**4,518**

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

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* (restated)
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					10,503
Tax recoverable					461
Time deposits					3,480
Held-to-maturity debt securities					3,552
Unallocated assets					181,705
Total assets					512,047
Segment liabilities	42,315	26,198	3,401	69	71,983
Reconciliation:					
Deferred tax liabilities					1,284
Tax payable					12,842
Total liabilities					86,109
Other segment information:					
Capital expenditure *	5,633	3,948	1,683	59	11,323
Unallocated capital expenditure *					3,461
					14,784
Depreciation	13,961	4,571	3,232	84	21,848
Amortisation of intangible assets	60	19	40	205	324
Unallocated depreciation					3,372
					25,544
Loss on disposal of items of property, plant and equipment	1,312	212	–	–	1,524
Write-off of intangible assets	–	–	–	19	19
Write-off of rental deposits	465	–	–	–	465
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 and intangible assets.

4. **OPERATING SEGMENT INFORMATION (CONTINUED)**

Geographical information

Non-current assets

	2011	2010
	HK$'000	*HK$'000*
		(restated)
Hong Kong and Macau	**66,213**	55,301
Mainland China	**27,612**	15,788
Taiwan	**8,538**	3,990
Elsewhere	**1,070**	1,242
	103,433	76,321

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	
	2011	2010
	HK$'000	*HK$'000*
Revenue		
Sale of garment products and accessories	**1,011,704**	793,792
Other income		
Bank interest income	**607**	412
Others	**2,484**	2,458
	3,091	2,870
Gains		
Foreign exchange differences, net	**1,427**	738
	4,518	3,608

6. PROFIT BEFORE TAX

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

	Group 2011	2010
	HK$'000	*HK$'000*
		(restated)
Cost of inventories sold	**301,728**	216,831
Depreciation	**27,614**	25,220
Provision for slow-moving inventories, net, included in cost of sales	**1,786**	20,539
Rental expenses under operating leases in respect of equipment:		
Minimum lease payments	**598**	500
Contingent rents	**141**	99
	739	599
Rental expenses under operating leases in respect of land and buildings:		
Minimum lease payments	**200,600**	172,162
Contingent rents	**48,123**	32,080
	248,723	204,242
Auditors' remuneration	**2,014**	1,762
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and other benefits	**163,389**	132,957
Equity-settled share option expense	**1,509**	–
Pension scheme contributions*	**8,453**	6,622
	173,351	139,579
Loss on disposal of items of property, plant and equipment	**979**	1,524
Amortisation of intangible assets	**340**	324
Write-off of intangible assets	**14**	19
Write-off of rental deposits	**111**	465
Write-off of trade and bills receivables	**–**	4
Impairment of trade and bills receivables	**1**	–
Impairment of items of property, plant and equipment	**4,518**	2,426

* At the end of the reporting period, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2010: Nil).

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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 five (2010: three) subsidiaries located in Mainland China, where two (2010: two) of them are subject to the concessionary CIT tax rates. Accordingly, these subsidiaries were subject to the applicable CIT rates ranging from 22% to 25% during the financial year ended 31 March 2011.

For the subsidiaries in Macau, one of them (2010: one) was incorporated under the Macau Offshore Business Law and exempted from the Macau complementary tax pursuant to the Macau Special Administrative Region's offshore law.

	Group	
	2011	2010
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Provision for the year	**19,361**	8,910
Overprovision in prior years	**(430)**	(177)
Current tax – Elsewhere		
Provision for the year	**21,883**	12,877
Under/(over)provision in prior years	**610**	(2,831)
Deferred tax charge/(credit)	**(8,152)**	477
Total tax charge for the year	**33,272**	19,256

8. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Interim – HK2.0 cents (2010: HK2.0 cents) per ordinary share	**7,189**	7,189
Proposed final – HK10.7 cents (2010: HK8.5 cents) per ordinary share	**38,461**	30,553
Proposed special – HK5.0 cents (2010: HK5.0 cents) per ordinary share	**17,973**	17,973
	63,623	55,715

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 equity holders of the parent of HK$115,527,000 (2010: HK$83,028,000) and the number of ordinary shares in issue during the year of 359,450,000 (2010: 359,450,000).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2011 and 2010 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

10. TRADE AND BILLS RECEIVABLES

	Group 2011 HK$'000	2010 HK$'000
Trade and bills receivables	**34,023**	23,258
Impairment	**(1)**	–
	34,022	23,258

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. 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 2011 HK$'000	2010 HK$'000
Within 90 days	**33,914**	23,219
91 to 180 days	**35**	33
181 to 365 days	**73**	6
	34,022	23,258

11. TRADE PAYABLES

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

	Group 2011 HK$'000	2010 HK$'000
Within 90 days	**21,551**	13,509
91 to 180 days	**49**	65
181 to 365 days	**373**	179
Over 365 days	**11**	–
	21,984	13,753

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

12. EVENT AFTER THE REPORTING PERIOD

On 7 April 2011, the Group entered into sale and purchase agreements with an independent third party to acquire certain land and buildings situated in Hong Kong for aggregate cash consideration of HK$56,560,000. These transactions are scheduled to be completed on 22 July 2011.

13. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 April 2009 has been presented.

Certain comparative amounts on the consolidated statement of financial position have been reclassified to conform with the current year's presentation.

Deferred tax liabilities of HK$3,390,000 and HK$1,830,000 were reclassified to offset with deferred tax assets for the years ended 31 March 2010 and 31 March 2009, respectively.

In the opinion of the directors, such reclassifications would produce a more appropriate presentation of the Group's results and state of affairs.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded an aggregate turnover of approximately HK$1,011.7 million (2010: HK$793.8 million) in the year ended 31 March 2011, a strong growth rate of about 27.5% over the corresponding year in 2010. The Group's net profits also increased significantly by about 39.2% to approximately HK$115.5 million (2010: HK$83.0 million) and the profit margin improved from about 10.5% in 2010 to about 11.4%.

The retail markets along with consumer sentiment in the regions within which the Group operates experienced a strong recovery, improving continuously during the year under review. Accordingly, the Group more aggressively expanded its self-managed retail network to realise the immense potential of these markets. During the year under review, the Group's store portfolio (including both self-managed and franchised shops) has increased from 193 as at 31 March 2010 to 234 as at 31 March 2011, a net increase of 41. Instead of focusing on short-term results, the Group has continuously committed to expand the Group's business at a healthy pace and to establish a solid business foundation to achieve sustainable development. The Group also acquired certain properties located in Hong Kong during the year under review to enhance the Group's assets base. As a result, capital expenditure increased significantly from HK$14.8 million in last fiscal year to HK$88.0 million in the year ended 31 March 2011.

As at 31 March 2011, the Group's self-managed retail outlets and franchised outlets were located in Hong Kong, Macau, Mainland China and Taiwan as outlined below. These include outlets mainly under the brand names of "BAUHAUS", "TOUGH Jeansmith", "SALAD" and "80/20", as well as a well-receiving licensed brand "SUPERDRY".

	As at 31 March 2011	As at 31 March 2010	Net Changes
Self-managed outlets			
Hong Kong	**71**	57	+14
Macau	**4**	3	+1
Mainland China			
Shanghai	**21**	14	+7
Beijing	**13**	8	+5
Guangzhou	**5**	2	+3
Nanjing	**2**	–	+2
	41	24	+17
Taiwan	**53**	39	+14
	169	123	+46
Franchised outlets			
Mainland China	**65**	70	-5
TOTAL	**234**	193	+41

Hong Kong and Macau

Turnover from Hong Kong and Macau is derived from the self-managed retail business. Retail operations in Hong Kong, which accounted for about 58.1% (2010: 59.7%) of the Group's turnover, achieved double-digit growth in sales of about 23.9% to about HK$587.5 million (2010: HK$474.0 million) during the year under review. Moreover, retail sales in Macau also increased by about 16.2% to about HK$61.1 million (2010: HK$52.6 million) in the year ended 31 March 2011. During the year under review, the Group not only expanded aggressively its self-managed retail networks by adding 15 more stores in Hong Kong and Macau, but also enriched its retail shop portfolio by introducing well-performing licensed brand specialty shops, "SUPERDRY", to these markets. The results of these efforts were well-received during the year under review. The new brand shops are considered to be a potential growth driver for the Group's business, especially in mature markets such as Hong Kong and Taiwan. The Group remains committed to build a robust and diverse network to fuel its growth in the long term.

Mainland China

The Group has penetrated the Mainland China market through a "dual-channel" model. In this model, its self-managed retail operations cover first-tier cities currently including Beijing, Shanghai, Guangzhou and Nanjing while its franchised networks cover more than 30 prime cities in Mainland China with huge market potential. During the year under review, the turnover from Mainland China continued as one of the principal growth engines of the Group surging about 38.7% to approximately HK$171.1 million (2010: HK$123.4 million).

Self-managed Retail Operation

During the year under review, retail sales in Mainland China recorded a significant growth of about 50.4% to approximately HK$113.4 million (2010: HK$75.4 million). The Group has speeded up its expansion of its self-managed retail networks during the year under review by aggregately adding 26 new shops in targeted first-tier cities. Instead of focusing merely on the scale of retail networks, the Group has given higher priority on the profitability and operating efficiency of its shop portfolio as a whole. During the year under review, the Group also closed 9 non-performing shops. The Group has aimed to improve its profitability and cost structure in the region in order to build a solid and healthy foundation to capture the immense potential of the growing market. Therefore, the Group has also proactively relocated certain shops to other prime shopping areas in order to expose its retail outlets more effectively to the Group's target customers and to moderate rental burden.

Franchise Business

The franchise business model is an important and efficient strategic tool to rapidly penetrate the Mainland China market. The Group, on the one hand, was actively seeking qualified partners to join our franchise business. However, at the same time, the Group eliminated some non-performing franchisees to streamline the business operation and improve efficiency. As a result, the total number of franchised shops dropped from 70 as at 31 March 2010 to 65 as at the end of the reporting year. Through gradually improved sales and operating efficiency, the turnover contributed by the franchise business rose by about 20.2% to approximately HK$57.7 million (2010: HK$48.0 million) during the year under review. Although the Group expected that the growth in franchise sales still would be more volatile than the retail business in the near future, the Group remained cautiously optimistic about maintaining growth in this business segment in the long term. Therefore, the Group has invested more resources in streamlining operations and providing training and technical support to franchisees to weather the challenges in the marketplace.

Taiwan

The Group has engaged in self-managed retail operations in Taiwan for years. Taiwan's retail operations again recorded an encouraging result with a turnover increase by about 42.6% to approximately HK$161.6 million (2010: HK$113.3 million). Due to its dedicated management efforts, professional sales teams, pinpoint marketing strategies and extensive and strategically located retail networks, the Group has achieved sustained rapid sales growth on the island. With a solid foundation in Taiwan built up over ten years and effective branding efforts, the Group's in-house branded products were generally well-received in the trendy casual wear market. The Group gradually penetrated deeper into the major cities of Taiwan to capture a greater market share. In addition to extending its footprint through in-house labels, the Group also introduced the growing licensed brand, "SUPERDRY", to the Taiwan market and opened 9 "SUPERDRY" shops during the year under review. Together with other new shops of existing brands, there was a net increase of 14 outlets during the year ended 31 March 2011 bringing the total to 53 outlets in Taiwan as at 31 March 2011, mostly within reputable department stores in Taiwan's major cities.

Elsewhere

The Group has extended its business coverage across many overseas countries through wholesale operations. Since the last fiscal year, the Group has started to downsize the business operation in Europe in view of the gloomy economic outlook in that region and has re-directed its resources to develop its business in Asia. The overall sales contributed by the segment remained virtually constant at about HK$30.5 million during the corresponding year in 2010 to approximately HK$30.4 million for the year ended 31 March 2011. However, the Japanese market, the largest overseas wholesale market of the Group, recorded growth in sales of about 20.1% to approximately HK$22.7 million (2010: HK$18.9 million) during the year under review. The Group attempted to gradually expand its penetration in the region by offering solid technical support, thereby aiding its distributors to extend its retail networks. In addition, the Group also proactively sought new business partners for its wholesale business.

FINANCIAL REVIEW

Turnover

The aggregate turnover of the Group rose by about 27.5% to approximately HK$1,011.7 million (2010: HK$793.8 million) for the year ended 31 March 2011, which comprised around HK$923.6 million (2010: HK$715.3 million) in sales from retail operations, about HK$57.7 million (2010: HK$48.0 million) in sales from the franchise business and approximately HK$30.4 million (2010: HK$30.5 million) in sales from the wholesale business. The retail business, accounting for about 91.3% (2010: 90.1%) of the total turnover and expanding by around 29.1%, was the major sales growth contributor.

Operating Segment Information

Detailed information of the Group's turnover and its contribution to profit before tax by segment is shown in note 4 to the consolidated financial statements.

Gross Profit

The Group's gross profit rose by about 27.3% to approximately HK$708.2 million (2010: HK$556.4 million) in the year ended 31 March 2011 and the gross margin has been successfully maintained at almost an identical level of about 70.0% (2010: 70.1%) compared with last year.

Even though the increase in product costs, mainly as a result of obvious increment in raw material cost and labor cost, has imposed pressure on the Group's gross margin in the year under review, the Group enacted certain effective measures to compensate for the adverse effect. During the year under review, the Group increased the retail price of in-house branded products in general and reduced the extent and frequency of sales discounts to the customers in the wake of the continued improvement in consumer sentiment and retail performance. The sales mix of the Group's in-house branded products remained at a high level of about 88% (2010: 89%) during the year under review. Generally, the Group's in-house branded products offer greater gross margins to the Group than internationally branded merchandise and other vendors' brands. As a result, the Group was capable of managing its overall gross margin at a relatively high and stable level.

Operating Expenses

The Group's stringent cost control measures have taken effect during the year under review. The Group's operating expenses increased by about 23.2% to approximately HK$563.9 million during the year ended 31 March 2011 (2010: HK$457.7 million), but as a percentage of total turnover were equivalent to about 55.7% of the total turnover (2010: 57.7%), a drop of about two percentage points.

Rental cost of land and buildings, which accounted for about 44.1% (2010: 44.6%) of the Group's total expenses in the review year and equivalent to about 24.6% (2010: 25.7%) of the Group's turnover, rose by about 21.8% to approximately HK$248.7 million (2010: HK$204.2 million) mainly because of an increase in market rents, the number of stores and gross shop areas leased by the Group. In past years, the Group strategically relocated and consolidated certain shops to reduce an unreasonably high rental burden and to enhance sales area utilisation. These measures have gradually taken effect during the year under review as the upward pressure on rent-to-sales ratio has been gradually alleviated and hence the net profit margin has improved as expected. The Group more aggressively expanded and enriched its shop portfolio during the year under review, but higher priority was placed on improving the profitability as a whole rather than merely expanding the scale of the operation.

Staff cost was another major operating cost, and increased by about 24.2% to approximately HK$173.4 million during the year ended 31 March 2011 (2010: HK$139.6 million). However, the staff cost-to-sales ratio dropped slightly from about 17.6% in 2010 to about 17.1% in 2011 as the Group's effective cost control measures were in place. Besides, the Group continued to enhance its procedures to motivate sales staff, monitor their performance and ensure high accountability and efficiency to confront competition and the rapidly changing operating environment in different regions.

Depreciation charges rose by about 9.5% to approximately HK$27.6 million for the year ended 31 March 2011 (2010: HK$25.2 million (restated)). Marketing expenses, including advertising, promotion and exhibition expenses, jumped to approximately HK$22.8 million (2010: HK$16.0 million) for the year under review, an increase of about 42.5%, and were aimed at enhancing brand building efforts and exposure of the Group's in-house brands to the target consumer markets, especially in Mainland China.

Net Profit

The Group's net profit attributable to shareholders was up drastically by about 39.2% from approximately HK$83.0 million in 2010 to approximately HK$115.5 million for the year ended 31 March 2011. Net profit margin also improved from about 10.5% to about 11.4%.

CAPITAL STRUCTURE

As at 31 March 2011, the Group had net assets of approximately HK$494.9 million (2010: HK$425.9 million), comprising non-current assets of approximately HK$203.6 million (2010: HK$124.5 million (restated)), net current assets of approximately HK$292.8 million (2010: HK$302.7 million (restated)) and non-current liabilities of approximately HK$1.5 million (2010: HK$1.3 million (restated)).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2011, the Group had cash and cash equivalents of about HK$153.9 million (2010: HK$220.6 million) and had no bank borrowings at the end of the reporting year (2010: Nil). As at 31 March 2011, the Group had aggregate banking facilities of about HK$22.0 million (2010: HK$22.0 million) comprising interest-bearing bank overdraft, rental and utility guarantees as well as import and export facilities, of which about HK$15.9 million had not been utilised.

CASH FLOWS

For the year ended 31 March 2011, net cash inflow from operating activities was approximately HK$68.1 million (2010: HK$126.7 million), which was mainly attributed to a strong growth in sales. Net cash outflow from investing activities increased significantly from approximately HK$14.9 million in the corresponding year of 2010 to approximately HK$86.1 million in the review year, mainly because of significant increase in capital expenditure to support fast expansion of the retail shop network in the year under review and acquisition of certain properties in Hong Kong to enhance assets base. Net cash outflow from financing activities during the year under review was due to the payment of the 2009/10 final and special dividends totaling approximately HK$55.7 million (2008/09: HK$37.7 million).

SECURITY

As at 31 March 2011, the Group's general banking facilities were secured by certain of its leasehold land and buildings with aggregate carrying value of approximately HK$9.4 million (2010: HK$9.6 million (restated)).

CAPITAL COMMITMENT

As at 31 March 2011, both the Group and the Company had no material capital commitments in respect of the acquisition of items of property, plant and equipment contracted, but not provided for in the financial statements (2010: Nil).

CONTINGENT LIABILITIES

As at 31 March 2011, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK$5.5 million (2010: HK$7.7 million). The Company had no material contingent liabilities as at the end of the reporting year (2010: Nil).

HUMAN RESOURCES

Including all directors, the Group had 1,673 employees as at 31 March 2011 (2010: 1,442). To attract and retain high performance staff, the Group has provided competitive remuneration packages with performance bonuses, mandatory provident fund, insurance, medical coverage and 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 certain foreign currency exchange risks while it does not anticipate future currency fluctuations to cause material operational difficulties or liquidity problems. However, the Group continuously monitors its foreign exchange position and, when necessary, will hedge foreign exchange exposure arising from contractual commitments in sourcing apparel from overseas suppliers.

PROSPECTS

With the global economy gradually recovering and the Asia Pacific markets making rapid gains, the entire retail industry is enjoying significant revenue growth. As consumption sentiment improves, particularly in Mainland China, demand for high-quality apparel is set to increase significantly. Still, the combination of escalating material costs in Mainland China, gradual appreciation of the Renminbi, increasing labor cost and rising rent will present substantial challenges to retailers in the country. Mindful of such factors, the Group remains cautiously optimistic about the outlook for the apparel industry in the year ahead. So far, the Group recorded an increase in average same-store sales growth in its self-managed shop portfolio of about 18% in general (with about 15% in Hong Kong, about 18% in Macau, about 18% in Mainland China and about 25% in Taiwan) during April to May 2011. To fuel continuous development of the Group's business, the Group plans to invest capital expenditure of approximately HK$80 million to 100 million in FY2011/12.

With ample opportunities continuing to emerge in Mainland China, the Group will seek to continue strengthening its presence in the country to achieve sustainable growth. Rather than aggressively expanding its network nationally, however, the Group will seek to further bolster its stature in already established areas of Mainland China. In this regard, the Group will adhere to its target of opening approximately 20 to 30 shops in FY2011/12. Specifically, efforts will be made to fortify its self-managed retail network, which covers prime cities including Beijing, Shanghai, Guangzhou and Nanjing. Likewise, the franchise business, which represents an important and efficient means of penetrating the local market, will be reinforced. Other than actively seeking potential partners, the Group will continue its strategy of streamlining operations and raising efficiency by eliminating non-performing franchisees. In turn, this will allow the Group to direct resources toward nurturing franchisees that have shown high potential. In particular, technical support and training will be provided to these franchisees so that they can better weather volatile market conditions.

The Group has long been committed to nurturing up-and-coming brands that are able to satisfy the needs and tastes of individuals; ultimately delivering quality fashion to different parts of the world. In Hong Kong, Macau and Taiwan, the Group's numerous brands are well recognized as a result of strong ties that the Group has fostered with the public over the years. This has allowed the Group to achieve strong business performance, including record-high turnover and profit. Drawing from its experience in successfully launching "TOUGH Jeansmith" and "SALAD", the Group shrewdly opened specialty stores for selected popular labels, including the licensed brand "SUPERDRY". During the review year, these new stand-alone shops received overwhelmingly favorable market response, which is most fitting as the Group is set to open a flagship store in Hong Kong in the third quarter of 2011. Having realized encouraging results, the Group will maintain growth momentum by targeting to unveil around 10 to 20 self-managed retail stores in Hong Kong, Macau and Taiwan in the coming year (including both in-house and licensed brand shops). The Group will also closely monitor the latest market trend and enhance its product mix by raising the proportion of high-value popular items, such as colorful leather jackets that have been a proven success, thus further stimulate sales growth.

Maintaining a healthy financial position remains an overriding concern of the Group. In the face of mounting pressure brought on from rising rent, the Group acquired certain properties in Hong Kong during the year under review and in April 2011 to improve its asset base. The Group will continue to improve operational efficiency by opening optimal size retail shops as they have proven to be the most effective in terms of enhancing overall profitability, as well as diversifying outsource production to a wider supplier base so as not to over-rely on specific suppliers. Moreover, the management will seek to relocate shops to cost-effective locations and renegotiate contracts with property-owners to seek more flexible rental terms.

Looking forward, the management remains cautiously optimistic about the Group's growth potential, buoyed by robust economic development in Asia, and in particular, Mainland China. However, the inflation and rising operating costs in Mainland China and other regions the Group operates have remained a great concern. With a more flexible cost structure and strategic expansion measures in place, the Group is ready to embrace every opportunity and overcome every challenge ahead.

DIVIDEND

An interim dividend of HK2.0 cents per ordinary share for the six months ended 30 September 2010 (2009: HK2.0 cents) was paid on 21 January 2011.

The Directors recommended the payment of final and special dividends of HK10.7 cents (2010: HK8.5 cents) and HK5.0 cents (2010: HK5.0 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 8 September 2011 to shareholders whose names appear on the register of members on 19 August 2011.

CLOSURE OF REGISTER OF MEMBERS

The proposed final and special dividends are subject to the passing of an ordinary resolution by the shareholders at the forthcoming annual general meeting to be held on 11 August 2011. The record date for the entitlement to the proposed final and special dividends is 19 August 2011. For determining the entitlement to the proposed final and special dividends, the register of members of the Company will be closed from Wednesday, 17 August 2011 to Friday, 19 August 2011, 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, 16 August 2011.

CORPORATE GOVERNANCE

The Company has 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 2011 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 2011.

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 2011.

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 2011.

PUBLICATION OF THE FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The final results announcement for the year ended 31 March 2011 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 2011 annual report will be dispatched to the shareholders of the Company and made available on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to our shareholders, business partners and customers for their unstinting support. I would also like to extend our sincere appreciation to all the Group's employees for their dedication.

By Order of the Board
Wong Yui Lam
Chairman

Hong Kong, 21 June 2011

BOARD OF DIRECTORS
As at the date of this announcement, the board of directors comprises of 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.