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 2012

- ➢ Total turnover of the Group increased by about 14.6% to approximately HK$1,159.9 million (2011: HK$1,011.7 million).
- ➢ Gross profit increased by about 13.6% to approximately HK$804.5 million (2011: HK$708.2 million).
- ➢ Gross margin dropped slightly to about 69.4% (2011: 70.0%).
- ➢ Net profit for the year declined by about 34.3% to approximately HK$75.9 million (2011: HK$115.5 million).
- ➢ Net margin dropped by about 4.9 percentage points to about 6.5% (2011: 11.4%).
- ➢ Basic earnings per share decreased by about 34.3% to about HK21.1 cents (2011: HK32.1 cents).
- ➢ Final dividend of HK6.5 cents (2011: HK10.7 cents) was proposed while no special dividend was recommended for the year under review (2011: HK5.0 cents).
- ➢ Dividend payout ratio (including the interim dividend of HK2.0 cents) was about 40.3% of the net profit (2011: 55.1%).

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 2012, 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 2012

		2012	2011
	Notes	***HK$'000***	*HK$'000*
REVENUE	*5*	**1,159,872**	1,011,704
Cost of sales		**(355,355)**	(303,514)
GROSS PROFIT		**804,517**	708,190
Other income and gains	*5*	**4,329**	4,518
Selling and distribution costs		**(574,936)**	(458,484)
Administrative expenses		**(120,063)**	(99,431)
Other expenses		**(8,777)**	(5,994)
Finance costs	*6*	**(1,277)**	–
PROFIT BEFORE TAX	*7*	**103,793**	148,799
Income tax expense	*8*	**(27,906)**	(33,272)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**75,887**	115,527
OTHER COMPREHENSIVE INCOME			
Currency translation differences		**5,197**	7,679
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**81,084**	123,206
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	*10*		
Basic		**21.1 cents**	32.1 cents
Diluted		**21.0 cents**	32.1 cents

Details of the dividends payable and proposed for the year are disclosed in note 9 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2012

	Notes	**31 March 2012 HK$'000**	31 March 2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**187,669**	115,435
Intangible assets		**1,565**	1,714
Held-to-maturity debt securities		**–**	888
Rental, utility and other non-current deposits		**78,072**	66,563
Deferred tax assets		**20,477**	19,069
Total non-current assets		**287,783**	203,669
CURRENT ASSETS			
Inventories		**269,449**	201,682
Trade receivables	*11*	**28,653**	34,022
Prepayments, deposits and other receivables		**30,056**	28,638
Tax recoverable		**2,441**	171
Held-to-maturity debt securities		**920**	780
Cash and cash equivalents		**86,167**	153,934
Total current assets		**417,686**	419,227
CURRENT LIABILITIES			
Trade payables	*12*	**24,609**	21,984
Other payables and accruals		**102,302**	74,704
Interest-bearing bank borrowings	*13*	**46,758**	–
Tax payable		**12,954**	29,773
Total current liabilities		**186,623**	126,461
NET CURRENT ASSETS		**231,063**	292,766
TOTAL ASSETS LESS CURRENT LIABILITIES		**518,846**	496,435
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,865**	1,497
NET ASSETS		**516,981**	494,938
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**35,945**	35,945
Reserves		**457,672**	402,559
Proposed dividends	*9*	**23,364**	56,434
TOTAL EQUITY		**516,981**	494,938

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 2012. 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.

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 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*
HKAS 24 (Revised)	*Related Party Disclosures*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

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 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*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
Annual Improvements Project	*Annual Improvements to HKFRSs 2009-2011 Cycle*[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

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, finance costs 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, tax payable and interest-bearing bank borrowings 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 2012	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	756,184	176,357	205,508	21,823	1,159,872
Intersegment sales	1,190	7,792	98,554	2,662	110,198
	757,374	184,149	304,062	24,485	1,270,070
Reconciliation:					
Elimination of intersegment sales					(110,198)
Revenue					1,159,872
Segment results	149,418	(18,729)	14,372	3,526	148,587
Reconciliation:					
Interest income					359
Finance costs					(1,277)
Unallocated expenses					(43,876)
Profit before tax					103,793
Segment assets	260,119	130,946	85,712	13,468	490,245
Reconciliation:					
Deferred tax assets					20,477
Tax recoverable					2,441
Held-to-maturity debt securities					920
Unallocated assets					191,386
Total assets					705,469
Segment liabilities	47,068	46,419	9,986	6,046	109,519
Reconciliation:					
Deferred tax liabilities					1,865
Interest-bearing bank borrowings					46,758
Tax payable					12,954
Unallocated liabilities					17,392
Total liabilities					188,488
Other segment information:					
Capital expenditure*	20,444	20,258	15,032	34	55,768
Unallocated capital expenditure*					66,993
					122,761
Depreciation	11,739	11,643	9,244	–	32,626
Amortisation of intangible assets	63	38	39	204	344
Unallocated depreciation					5,789
					38,759
Loss on disposal of items of property, plant and equipment	1,299	3,590	52	–	4,941
Unallocated gain on disposal of items of property, plant and equipment					(1,176)
					3,765
Write-off of rental deposits	–	1,363	–	–	1,363
Impairment of items of property, plant and equipment	285	2,043	–	–	2,328

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

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 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)*

Geographical information

Non-current assets

	2012	2011
	HK$'000	*HK$'000*
Hong Kong and Macau	**78,214**	66,213
Mainland China	**35,841**	27,612
Taiwan	**15,370**	8,538
Elsewhere	**963**	1,070
	130,388	103,433

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

Information about major customers

Since none of the Group's sales to a single customer amounts to 10% or more of the Group's revenue during the year, no major customer information is presented.

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	
	2012	2011
	HK$'000	*HK$'000*
Revenue		
Sale of garment products and accessories	**1,159,872**	1,011,704
Other income		
Bank interest income	**359**	607
Others	**2,251**	2,484
	2,610	3,091
Gains		
Foreign exchange differences, net	**1,719**	1,427
	4,329	4,518

6. **FINANCE COSTS**

An analysis of finance costs is as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**1,277**	–

7. **PROFIT BEFORE TAX**

The Group's profit before tax is arrived at after charging:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Cost of inventories sold	**325,820**	301,728
Depreciation	**38,415**	27,614
Provision for slow-moving inventories, net, included in cost of sales	**29,535**	1,786
Rental expenses under operating leases in respect of equipment:		
Minimum lease payments	**609**	598
Contingent rents	**139**	141
	748	739
Rental expenses under operating leases in respect of land and buildings:		
Minimum lease payments	**236,707**	200,600
Contingent rents	**62,155**	48,123
	298,862	248,723
Auditors' remuneration	**1,987**	2,014
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and other benefits	**197,087**	163,389
Equity-settled share option expense	**4,582**	1,509
Pension scheme contributions*	**11,330**	8,453
	212,999	173,351
Loss on disposal of items of property, plant and equipment	**3,765**	979
Amortisation of intangible assets	**344**	340
Write-off of intangible assets	**–**	14
Write-off of rental deposits	**1,363**	111
Impairment of trade receivables	**–**	1
Impairment of items of property, plant and equipment	**2,328**	4,518

* 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 (2011: Nil).

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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 People's Republic of China ("PRC") corporate income tax ("CIT") is applicable to the five (2011: five) subsidiaries located in Mainland China, where two (2011: two) of them are subject to the concessionary CIT tax rates. Accordingly, these subsidiaries were subject to the applicable CIT rates ranging from 24% to 25% during the year ended 31 March 2012.

For the subsidiaries in Macau, one of them (2011: 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	
	2012	2011
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Provision for the year	**18,034**	19,361
Overprovision in prior years	**(390)**	(430)
Current tax – PRC		
Provision for the year	**8,200**	16,747
Under/(over)provision in prior years	**(92)**	89
Current tax – Elsewhere		
Provision for the year	**3,349**	5,136
Under/(over)provision in prior years	**(277)**	521
Deferred tax credit	**(918)**	(8,152)
Total tax charge for the year	**27,906**	33,272

9. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Interim – HK2.0 cents (2011: HK2.0 cents) per ordinary share	**7,189**	7,189
Proposed final – HK6.5 cents (2011: HK10.7 cents) per ordinary share	**23,364**	38,461
Proposed special – Nil (2011: HK5.0 cents) per ordinary share	**–**	17,973
	30,553	63,623

The proposed final dividend for the current year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share is based on the profit for the year attributable to equity holders of the parent of HK$75,887,000 (2011: HK$115,527,000) and the weighted average number of ordinary shares of 359,450,000 (2011: 359,450,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	2012	2011
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity holders of the parent, used in the basic earnings per share calculation	**75,887**	115,527
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**359,450,000**	359,450,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**1,739,207**	–
	361,189,207	359,450,000

11. TRADE RECEIVABLES

	Group 2012 HK$'000	2011 HK$'000
Trade receivables	**28,654**	34,023
Impairment	**(1)**	(1)
	28,653	34,022

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 does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

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

	Group 2012 HK$'000	2011 HK$'000
Within 90 days	**28,373**	33,914
91 to 180 days	**1**	35
181 to 365 days	**266**	73
Over 365 days	**13**	–
	28,653	34,022

12. 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 2012 HK$'000	2011 HK$'000
Within 90 days	**23,860**	21,551
91 to 180 days	**329**	49
181 to 365 days	**313**	373
Over 365 days	**107**	11
	24,609	21,984

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

13. INTEREST-BEARING BANK BORROWINGS

Group	2012 Effective interest rate (%)	Maturity	*HK$'000*
Current – secured			
Bank loans	1–7	2012	33,388
Bank loans which contains a repayment on demand clause	1–2	2013–2014	13,370
			46,758
Analysed into bank loans repayable:*			
Within one year or on demand			33,388
In the second year			13,370
			46,758

* The amounts due are based on scheduled repayment dates set out in the notices for repayment schedule issued by the bank and ignore the effect of any repayment on demand clause.

The Group did not have any interest-bearing bank borrowings as at 31 March 2011 while the Company did not have any interest-bearing bank borrowings as at 31 March 2012 and 31 March 2011.

Notes:

(a) The Group's bank loans are secured by:

(i) mortgages over the Group's buildings, which had an aggregate carrying value at the end of the reporting period of approximately HK$102,693,000 (2011: HK$9,366,000); and

(ii) corporate guarantees given by the Company and a Group's subsidiary of HK$70,240,000 and HK$25,000,000, respectively (2011: Nil).

(b) All borrowings are in Hong Kong dollars.

14. EVENT AFTER THE REPORTING PERIOD

On 11 April 2012, the Group entered into sale and purchase agreements with an independent third party to sell certain land and buildings situated in Hong Kong for an aggregate cash consideration of HK$54,400,000. These transactions were completed on 11 June 2012 and generated a gain on disposal before expense of approximately HK$13 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded an aggregate turnover of approximately HK$1,159.9 million (2011: HK$1,011.7 million) in the year ended 31 March 2012, a growth rate of about 14.6% over the corresponding year in 2011. However, the Group's net profits decreased by about 34.3% to approximately HK$75.9 million (2011: HK$115.5 million) and the net profit margin was reduced from about 11.4% for the year ended 31 March 2011 to about 6.5% for the year ended 31 March 2012.

The retail markets along with consumer sentiment in the regions within which the Group operates remained strong in the first half of the financial year. With the worsening of the European debt crisis as well as tightening credit controls in Mainland China, however, an economic slowdown became obvious in the second half of the financial year. The retail performance both globally and in Mainland China has weakened since the third quarter of 2011. On the other hand, major operating costs for rental, salary and raw materials continued to surge, which created a difficult operating environment for the Group's business, trimming the Group's profitability. In order to enhance the Group's flexibility to cope with the uncertain market environment, the Group focused on improving its operational efficiency rather than merely expand its scale of business. In particular, the Group aggressively streamlined non-performing business operations in Mainland China during the year under review. Although the consolidation in Mainland China, including closure of poor performing self-managed retail shops and downsizing of the franchise network, has adversely affected the Group's results during the year under review, the Group has continuously worked to create a solid business foundation and to develop the Group's business at a prudent and healthy pace over the long term.

As at 31 March 2012, 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 mostly under the Group's in-house brand names of "BAUHAUS," "TOUGH Jeansmith," "SALAD" and "80/20" as well as an English licensed brand of "SUPERDRY."

	As at 31 March 2012	As at 31 March 2011	Net Changes
Self-managed Outlets			
Hong Kong & Macau	**79**	75	+4
Taiwan	**78**	53	+25
Mainland China	**45**	41	+4
	202	169	+33
Franchised Outlets			
Mainland China	**42**	65	–23
TOTAL	**244**	234	+10

Hong Kong and Macau

Turnover from Hong Kong and Macau is mostly derived from the self-managed retail business, which accounted for about 65.2% (2011: 64.1%) of the Group's turnover. This business segment achieved a double-digit growth in sales of about 16.6% to about HK$756.2 million (2011: HK$648.6 million) during the year under review. Segment profit before tax increased remarkably by about 30.5% to about HK$149.4 million (2011: HK$114.5 million). During the year under review, while only four retail shops were added in Hong Kong and Macau, the Group actually devoted considerable effort in enhancing the efficiency and profitability of the retail portfolio as a whole. The Group fine-tuned its merchandising mix, closed down certain non-performing shops and relocated shops to other prime shopping locations that commanded lower rent. The Group remains committed to maintaining a robust, dynamic and diverse network to explore opportunities and capture market potential in Hong Kong and Macau.

Mainland China

This financial year was challenging for the Group's Mainland China operation. During the year under review, the turnover from Mainland China increased slightly by about 3.1% to about HK$176.4 million (2011: HK$171.1 million). Retail sales in Mainland China recorded a growth of about 19.8% to approximately HK$135.8 million (2011: HK$113.4 million). However, the franchise turnover significantly dropped by about 31.2% to about HK$39.7 million (2011: HK$57.7 million). The segment results before tax of Mainland China operation turned from a profit of about HK$19.7 million in the last year to a loss of about HK$18.7 million for the year ended 31 March 2012.

In the second quarter of 2011, the domestic retail markets still remained vibrant. The Group managed to expand its retail networks as planned. However, the weakening in Mainland China's economy became evident since the third quarter of 2011, which resulted in rapid deterioration in its market sentiment. The Group's retail and franchise businesses were inevitably affected and the self-managed retail operations recorded a decline of about 5% in same-store growth during the year under review. Also, the strong inflationary operating environment continued and significantly pushed up operating expenses, particularly rentals and salaries, across the region.

In view of the increasing uncertainty and difficulty in Mainland China's economy and business environment, the Group greatly streamlined the non-performing business operations in the region by closure of more than 10 poor performing self-managed retail shops and eliminating nearly one-third of the total number of franchisees during the second half of the financial year. The restructuring has resulted in added one-off costs incurred in the year under review, mainly including loss on disposal of fixed assets, impairment loss on fixed assets, write-off of rental deposits and compensation for termination of lease, of about HK$8.0 million in aggregate.

While the prospects of both the retail and franchise business segments in the region are expected to be volatile in the near future, the Group remained cautiously optimistic about maintaining growth over the long term. Therefore, the Group has invested more resources in enhancing operational efficiency, providing more training to the Group's workforce and closely coordinating activities with the Group's franchise partners to weather the challenges in the marketplace.

Taiwan

The Group has engaged in self-managed retail operations in Taiwan over a decade. During the year under review, the Group significantly expanded its retail coverage on the island by opening 25 new shops. Retail sales from Taiwan's operations increased by about 27.2%, again achieving a record of approximately HK$205.5 million (2011: HK$161.6 million). In addition to expanding its footprint through in-house labels, the Group also extended the retail coverage of a growing licensed brand, "SUPERDRY," to the Taiwan market by adding eight more "SUPERDRY" shops during the year under review. As at 31 March 2012, there was a total of 78 shops in Taiwan of which 17 were "SUPERDRY" shops. However, the Taiwan's segment profit before tax significantly dropped by about 63.1% to about HK$14.4 million (2011: HK$39.0 million), which was mainly because of substantial pre-operating expenses incurred in opening new shops, a significant increase in rental costs as well as a sharp rise in provision on aged slow-moving inventories. Although there might be many challenges in the global economic environment, with a solid foundation in Taiwan built up over ten years and effective branding efforts, the Group is well-prepared to deal with the difficulties encountered on the island.

Elsewhere

The Group extended its business coverage to several overseas countries through wholesale operations, with a particular focus on Asia. Japan is the Group's largest overseas wholesale market. However, due to the impact of Japan's devastating earthquake and tsunami in March 2011, overall sales from the segment dropped by about 28.3% to about HK21.8 million (2011: HK$30.4 million). The Group will try to maintain the scale of operations in this segment to address demand from existing customers.

FINANCIAL REVIEW

Turnover

The aggregate turnover of the Group rose by about 14.6% to approximately HK$1,159.9 million (2011: HK$1,011.7 million) for the year ended 31 March 2012, This turnover comprised sales from retail operations of around HK$1,097.5 million (2011: HK$923.6 million), sales from the franchise business of about HK$39.7 million (2011: HK$57.7 million) and sales from the wholesale business of about HK$22.7 million (2011: HK$30.4 million). The retail business was the largest sales contributor, accounting for about 94.6% (2011: 91.3%) of the total turnover and achieving a year-on-year growth of about 18.8%.

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 13.6% to approximately HK$804.5 million (2011: HK$708.2 million) in the year ended 31 March 2012 and the gross margin has been successfully maintained at a nearly identical level of about 69.4% (2011: 70.0%) compared with last year.

Even through the increase in product costs, mainly as a result of increments in raw materials and labour costs, 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, supported by enhanced brand building efforts, the Group generally increased the retail price of in-house branded products, particularly for certain popular items with a higher rise in average selling price. As a result, the Group was capable of maintaining its overall gross margin at a relatively stable level.

Operating Expenses

The Group's operating expenses increased by about 24.8% to approximately HK$703.8 million during the year ended 31 March 2012 (2011: HK$563.9 million), equivalent to roughly 60.7% of total turnover (2011: 55.7%).

Rental cost of land and buildings, which accounted for about 42.5% (2011: 44.1%) of the Group's total operating expenses and equivalent to about 25.8% (2011: 24.6%) of the Group's turnover, rose by about 20.2% to approximately HK$298.9 million (2011: HK$248.7 million) mainly because of a market increase in rents and the number of stores and gross shop areas leased by the Group. Staff cost was another major operating cost and increased by about 22.8% to approximately HK$213.0 million during the year ended 31 March 2012 (2011: HK$173.4 million). Depreciation charges rose by about 39.1% to approximately HK$38.4 million for the year ended 31 March 2012 (2011: HK$27.6 million). Marketing expenses jumped to approximately HK$31.4 million (2011: HK$22.8 million) for the year under review, an increase of about 37.7%, and were aimed at strengthening the images of multiple brands and widening exposure of the Group's in-house brands to its target consumers.

Finance Cost

The Group incurred a finance cost of about HK$1.3 million (2011: Nil) during the year under review, which represented the interest expenses paid for bank borrowings.

Net Profit

The Group's net profit attributable to shareholders declined by about 34.3% from approximately HK$115.5 million for the year ended 31 March 2011 to approximately HK$75.9 million for the year ended 31 March 2012. Net profit margin also dropped from about 11.4% to about 6.5%.

CAPITAL STRUCTURE

As at 31 March 2012, the Group had net assets of approximately HK$517.0 million (2011: HK$494.9 million), comprising non-current assets of approximately HK$287.8 million (2011: HK$203.6 million), net current assets of approximately HK$231.1 million (2011: HK$292.8 million) and non-current liabilities of approximately HK$1.9 million (2011: HK$1.5 million).

ACQUISITION OF PROPERTIES

During the year ended 31 March 2012, the Group acquired certain properties situated in Hong Kong for an aggregate consideration of about HK$56.6 million. The transactions were completed on 22 July 2011. The aforesaid properties were used as the central warehouse to support the Group's retail and distribution business.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2012, the Group had cash and cash equivalents of about HK$86.2 million (31 March 2011: HK$153.9 million). At the end of the reporting period, the Group had aggregate banking facilities of about HK$111.5 million (31 March 2011: HK$22.0 million) comprising interest-bearing bank overdraft, mortgage loans and revolving loans, rental and utility guarantees as well as import and export facilities, of which about HK$55.4 million had not been utilised. In particular, the Group had bank borrowings of about HK$46.8 million as at 31 March 2012 (31 March 2011: Nil), which were in Hong Kong dollars, repayable within three years and bearing interest at variable rates ranging from Hong Kong Interbank Offerred Rate plus 1.2% per annum to the Best Lending Rate (as of 31 March 2012: 5%) plus 1.5% per annum. The Group's gearing ratio at the end of the reporting period, representing a percentage of total interest-bearing bank borrowings to total assets, amounted to about 6.6% (2011: Nil).

CASH FLOWS

For the year ended 31 March 2012, net cash inflow from operating activities dropped to approximately HK$60.2 million (2011: HK$68.1 million), which was mainly attributed to increase in inventory level. Net cash outflow from investing activities increased significantly from approximately HK$86.1 million in the corresponding year of 2011 to approximately HK$115.7 million in the year under review, mainly because of significant increase in capital expenditure for the expansion of retail shop network and acquisition of certain properties in Hong Kong. Net cash outflow from financing activities during the year under review dropped significantly to HK$16.9 million (2011: HK$55.7 million). The Group has paid dividends of about HK$63.6 million (2011: HK$55.7 million) during the year under review. The drop in net cash outflow from financing activities was mainly because the Group obtained certain bank borrowings to acquire properties and to increase general working capital.

SECURITY

As at 31 March 2012, the Group's general banking facilities were secured by certain of its leasehold land and buildings with aggregate carrying value of approximately HK$102.7 million (2011: HK$9.4 million).

CAPITAL COMMITMENT

As at 31 March 2012, 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 (2011: Nil).

CONTINGENT LIABILITIES

As at 31 March 2012, 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 (2011: HK$5.5 million). The Company had no material contingent liabilities as at the end of the reporting period (2011: Nil).

HUMAN RESOURCES

Including all directors, the Group had 1,659 employees as at 31 March 2012 (2011: 1,673). 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

Unprecedented global economic volatility and depressed stock markets resulting from the European sovereign debt crisis have shaken the foundation of many major economies. The Group believes that the resultant public anxiety will continue to dampen consumer confidence and in turn hinder growth of the retail sector. What is more, the combination of escalating material costs in Greater China, increasing labor cost and rising rent will present substantial challenges to retailers in the region. While there are already signs of economic slowdown, the PRC Government has implemented policies to encourage domestic consumption; hence, the local economies are expected to rebound. We will keep a vigilant watch over the changing market landscape and duly streamline our businesses accordingly.

In Hong Kong & Macau and Taiwan, the Group will focus on growth of its existing retail stores rather than rapidly expanding its sales networks. In particular, the Group will relocate certain sales points to more cost-effective locations, and consolidate sales networks to achieve greater efficiency. In order to provide customers with a fresh experience when visiting Bauhaus' retail shops, the Group has exerted considerable effort towards promoting selected popular labels. "SUPERDRY" has proved to be one of the most successful examples in recent years. This English licensed brand has enjoyed overwhelmingly positive response from consumers since its market debut. Leveraging our strong foundation of in-house labels and bearing in mind the goal of raising profitability, we will continue to introduce fashionable brands that have immense market potential and possess margin that is comparable to the Group's in-house brands.

In respect of Mainland China, we will seek to enhance the effectiveness and efficiency of our operations in the country in view of uncertainty hovering over the local market. Already, the Group has strategically trimmed down the size of its franchise business and is fine-tuning the self-managed retail business. We expect that the number of outlets in the country will be further reduced as certain non-performing shops are closed.

Amid strong inflationary pressure, the Group will continue to practice fiscal restraint. Accordingly, we will employ stringent cost controls and upgrade associated information systems to mitigate the impact of escalating costs, including rent, labor and operating expenses. To uphold the Group's healthy financial position, we will continue to launch large-scale sales promotions in the coming year as such campaigns have proven to be effective at not only reducing inventory and slow-moving items, but also increasing cash flow. Having elected to sell one of our warehouses in April 2012, the proceeds generated from the disposal will provide us with greater flexibility – serving as additional general working capital that can be directed towards future development. For details of our disposal of properties, please refer to the announcement of the Company dated 12 April 2012.

Over the past several years, by capitalizing on our reputation as a leading trendy fashion brand, we successfully launched several product lines, such as leather jackets and accessories, which helped propel the Group to the forefront of the market. The management will continue to direct resources toward promoting products that have high growth potential, and improve quality still further to enhance their value and boost profitability. Although the operating environment is expected to be unstable, we will strive to maintain a solid foundation for our business operations, and deliver better results once the market begins to improve.

DIVIDEND

An interim dividend of HK2.0 cents per ordinary share for the six months ended 30 September 2011 (2010: HK2.0 cents) was paid on 9 February 2012.

The Directors recommended the payment of a final dividend of HK6.5 cents (2011: HK10.7 cents) per ordinary share for the year ended 31 March 2012. However, no special dividend was proposed to be paid for the year ended 31 March 2012 (2011: HK5.0 cents). Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the final dividend will be payable on or before Thursday, 20 September 2012 to shareholders whose names appear on the register of members on Friday, 24 August 2012.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "AGM") is scheduled on Thursday, 16 August 2012. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 14 August 2012 to Thursday, 16 August 2012, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 13 August 2012.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the AGM. The record date for entitlement to the proposed final dividend is Friday, 24 August 2012. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 22 August 2012 to Friday, 24 August 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Tuesday, 21 August 2012.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code (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 2012 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 in 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 2012.

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 2012.

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 2012.

PUBLICATION OF THE FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The final results announcement for the year ended 31 March 2012 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 2011/12 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 2012

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.