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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

- ➢ Total turnover of the Group increased by about 3.4% to about HK$481.0 million (2011: HK$465.0 million).
- ➢ Gross profit dropped to about HK$318.6 million (2011: HK$333.6 million).
- ➢ Gross margin decreased by about 5.5 percentage points to about 66.2% (2011: 71.7%).
- ➢ Net profit for the period declined by about 31.3% to about HK$10.3 million (2011: HK$15.0 million).
- ➢ Net margin dropped to about 2.1% (2011: 3.2%).
- ➢ Basic and diluted earnings per share dropped to about HK2.9 cents (2011: HK4.2 cents).
- ➢ An interim dividend of HK1.0 cent (2011: HK2.0 cents) per ordinary share was declared.

The board of directors (the "Directors") of Bauhaus International (Holdings) Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2012, prepared on the basis set out in note 1 to the Interim Financial Statements below, together with the comparative figures for the corresponding period.

These Interim Financial Statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

		Six months ended 30 September	
		2012	2011
	Notes	**(Unaudited)**	(Unaudited)
		HK$'000	*HK$'000*
REVENUE	*3*	**481,034**	465,025
Cost of sales		**(162,462)**	(131,422)
GROSS PROFIT		**318,572**	333,603
Other income and gains	*4*	**38,334**	2,677
Selling and distribution costs		**(278,721)**	(257,091)
Administrative expenses		**(58,613)**	(57,438)
Other expenses		**(1,624)**	(755)
Finance costs	*5*	**(940)**	(293)
PROFIT BEFORE TAX	*6*	**17,008**	20,703
Income tax expense	*7*	**(6,742)**	(5,712)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		**10,266**	14,991
OTHER COMPREHENSIVE INCOME:			
Currency translation differences		**177**	3,258
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		**10,443**	18,249
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**HK2.9 cents**	HK4.2 cents
Diluted		**HK2.9 cents**	HK4.2 cents
DIVIDENDS	*9*	**3,595**	7,189

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

	Notes	As at 30 September 2012 (Unaudited) HK$'000	As at 31 March 2012 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**144,323**	187,669
Intangible assets		**1,478**	1,565
Rental, utility and other non-current deposits		**71,381**	78,072
Deferred tax assets		**27,104**	20,477
Total non-current assets		**244,286**	287,783
CURRENT ASSETS			
Inventories		**352,301**	269,449
Trade receivables	*10*	**33,343**	28,653
Prepayments, deposits and other receivables		**34,488**	30,056
Tax recoverable		**1,366**	2,441
Held-to-maturity debt securities	*11*	**922**	920
Cash and cash equivalents		**46,345**	86,167
Total current assets		**468,765**	417,686
CURRENT LIABILITIES			
Trade payables	*12*	**65,356**	24,609
Other payables and accruals		**88,275**	102,302
Interest-bearing bank borrowings	*13*	**31,992**	46,758
Tax payable		**17,273**	12,954
Total current liabilities		**202,896**	186,623
NET CURRENT ASSETS		**265,869**	231,063
TOTAL ASSETS LESS CURRENT LIABILITIES		**510,155**	518,846
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,815**	1,865
NET ASSETS		**508,340**	516,981
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*14*	**35,945**	35,945
Reserves		**468,800**	457,672
Proposed dividends		**3,595**	23,364
TOTAL EQUITY		**508,340**	516,981

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2012

1. BASIS OF PRESENTATION AND PREPARATION

These unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") of the Bauhaus International (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 September 2012 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "*Interim Financial Reporting*", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and basis of preparation adopted in the preparation of the Interim Financial Statements are the same as those used in the annual financial statements for the year ended 31 March 2012, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards ("HKFRS") (which also include HKASs and Interpretations) in current period for the first time as disclosed in note 2 below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

These Interim Financial Statements have not been audited, but have been reviewed by the Company's audit committee and should be read in conjunction with the 2012 annual report.

2.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

The Group has adopted the following new and revised HKFRSs and amendments (the "New Standards") for the first time in the preparation of these Interim Financial Statements.

HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*
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*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers to Financial Assets*

The adoption of these New Standards has had no material impact on the Group's results of operations and financial position.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, amendments or interpretations that have been issued but are not yet effective, in these Interim Financial Statements.

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

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] 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 standards upon initial application. So far, the Group considers that these new and revised standards are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

The Group was engaged in the manufacture and trading of garments and accessories.

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, gain on disposal of property, plant and equipment, finance cost and unallocated income or expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, 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, interest-bearing bank borrowings and other unallocated corporate liabilities as these liabilities are managed on a group basis.

Segment non-current assets exclude deferred tax assets and other unallocated corporate non-current assets as these assets 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 prevailing market prices.

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 period under review, no major customer information is presented.

3. OPERATING SEGMENT INFORMATION *(Continued)*

	Hong Kong and Macau *HK$'000*	Mainland China *HK$'000*	Taiwan *HK$'000*	Elsewhere *HK$'000*	Total *HK$'000*
For the six months ended 30 September 2012 (Unaudited)					
Segment revenue:					
Sales to external customers	**313,068**	**72,342**	**77,599**	**18,025**	**481,034**
Intersegment sales	**–**	**4,014**	**54,470**	**597**	**59,081**
	313,068	**76,356**	**132,069**	**18,622**	**540,115**
Reconciliation:					
Elimination of intersegment sales					**(59,081)**
Revenue					**481,034**
Segment results:	**37,095**	**(5,816)**	**(8,891)**	**5,419**	**27,807**
Reconciliation:					
Interest income					**99**
Unallocated income					**16,409**
Finance costs					**(940)**
Unallocated expenses					**(26,367)**
Profit before tax					**17,008**
Other segment information:					
Capital expenditure	**13,226**	**4,098**	**4,105**	**56**	**21,485**
Unallocated capital expenditure					**999**
Total capital expenditure					**22,484**
Depreciation	**6,828**	**5,288**	**6,309**	**–**	**18,425**
Unallocated depreciation					**3,103**
Total depreciation					**21,528**
As at 30 September 2012 (Unaudited)					
Segment assets:	**303,862**	**130,352**	**100,100**	**2,687**	**537,001**
Reconciliation:					
Deferred tax assets					**27,104**
Tax recoverable					**1,366**
Held-to-maturity debt securities					**922**
Unallocated assets					**146,658**
Total assets					**713,051**
Segment liabilities:	**73,021**	**46,940**	**14,268**	**592**	**134,821**
Reconciliation:					
Deferred tax liabilities					**1,815**
Tax payable					**17,273**
Interest-bearing bank borrowings					**31,992**
Unallocated liabilities					**18,810**
Total liabilities					**204,711**
Segment non-current assets:	**79,533**	**31,401**	**12,890**	**897**	**124,721**
Reconciliation:					
Deferred tax assets					**27,104**
Unallocated non-current assets					**92,461**
Total non-current assets					**244,286**

3. **OPERATING SEGMENT INFORMATION** *(Continued)*

	Hong Kong and Macau *HK$'000*	Mainland China *HK$'000*	Taiwan *HK$'000*	Elsewhere *HK$'000*	Total *HK$'000*
For the six months ended 30 September 2011 (Unaudited)					
Segment revenue:					
Sales to external customers	291,824	84,086	77,149	11,966	465,025
Intersegment sales	26	3,445	52,980	–	56,451
	291,850	87,531	130,129	11,966	521,476
Reconciliation:					
Elimination of intersegment sales					(56,451)
Revenue					465,025
Segment results:	32,231	1,148	7,426	2,196	43,001
Reconciliation:					
Interest income					229
Finance costs					(293)
Unallocated expenses					(22,234)
Profit before tax					20,703
Other segment information:					
Capital expenditure	9,604	13,282	9,194	34	32,114
Unallocated capital expenditure					59,489
Total capital expenditure					91,603
Depreciation	6,291	5,258	3,926	–	15,475
Unallocated depreciation					1,690
Total depreciation					17,165
As at 31 March 2012 (Audited)					
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
Tax payable					12,954
Interest-bearing bank borrowings					46,758
Unallocated liabilities					17,392
Total liabilities					188,488
Segment non-current assets:	78,214	35,841	15,370	963	130,388
Reconciliation:					
Deferred tax assets					20,477
Unallocated non-current assets					136,918
Total non-current assets					287,783

4. OTHER INCOME AND GAINS

	Group Six months ended 30 September **2012** **(Unaudited)** ***HK$'000***	 2011 (Unaudited) *HK$'000*
Compensation received for early termination of tenancies	**21,700**	–
Gain on disposal of property, plant and equipment, net	**15,189**	–
Interest income	**99**	229
Foreign exchange gains, net	**261**	1,165
Sundry income	**1,085**	1,283
	38,334	2,677

5. FINANCE COSTS

	Group Six months ended 30 September **2012** **(Unaudited)** ***HK$'000***	 2011 (Unaudited) *HK$'000*
Interest on bank loans wholly repayable within five years	**940**	293

6. PROFIT BEFORE TAX

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

	Group Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**140,536**	115,071
Provision for slow-moving inventories, net (included in cost of sales)	**21,926**	16,351
Depreciation	**21,528**	17,165
Rental expenses under operating leases in respect of land and buildings:		
Minimum lease payments	**124,974**	114,461
Contingent rents	**22,753**	21,310
	147,727	135,771
Rental expenses under operating leases in respect of equipment:		
Minimum lease payments	**329**	299
Contingent rents	**51**	130
	380	429
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and other benefits	**93,540**	87,212
Equity-settled share option expense	**4,280**	1,927
Pension scheme contributions	**5,866**	5,327
	103,686	94,466
Loss on disposal of property, plant and equipment, net	**–**	570
Amortisation of intangible assets	**162**	177
Write-off of rental deposits	**1,462**	7

7. INCOME TAX EXPENSE

	Group Six months ended 30 September 2012 (Unaudited) *HK$'000*	2011 (Unaudited) *HK$'000*
Current tax		
– Hong Kong	**5,029**	5,467
– Elsewhere	**8,274**	10,076
Deferred tax credit	**(6,561)**	(9,831)
Total tax charge for the period	**6,742**	5,712

Hong Kong profit tax has been provided at a rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2012. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the countries/jurisdictions, in which the Group operates.

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

The calculation of basic earnings per share is based on the profit for the period attributable to equity holders of the parent of HK$10,266,000 (2011: HK$14,991,000) and the weighted average number of ordinary shares of 359,450,000 (2011: 359,450,000) in issue during the six months ended 30 September 2012.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2011 and 2012 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the amounts of basic earnings per share presented.

9. DIVIDENDS

A final dividend of HK$23,364,000 for the year ended 31 March 2012 (2011: final and special dividends of HK$56,434,000 in aggregate) was paid in September 2012.

	Six months ended 30 September 2012 (Unaudited) *HK$'000*	2011 (Unaudited) *HK$'000*
Interim – HK1.0 cent (2011: HK2.0 cents) per ordinary share	**3,595**	7,189

The Directors declared to pay an interim dividend of HK1.0 cent per ordinary share for the six months ended 30 September 2012 (2011: HK2.0 cents) payable on or about Thursday, 7 February 2013 to shareholders whose names appear on the register of members of the Company on Friday, 18 January 2013. The interim dividend is not reflected as a dividend payable as of 30 September 2012, but will be reflected as an appropriation of retained earnings of the Company for the year ending 31 March 2013.

10. TRADE RECEIVABLES

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 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 invoice date and net of provisions, is as follows:

	Group	
	As at 30 September 2012 (Unaudited) ***HK$'000***	As at 31 March 2012 (Audited) *HK$'000*
Within 90 days	**33,298**	28,373
91 to 180 days	**33**	1
181 to 365 days	**–**	266
Over 365 days	**12**	13
	33,343	28,653

11. HELD-TO-MATURITY DEBT SECURITIES

	Group	
	As at 30 September 2012 (Unaudited) ***HK$'000***	As at 31 March 2012 (Audited) *HK$'000*
Unlisted bonds, at amortised cost	**922**	920
Current portion	**(922)**	(920)
Non-current portion	**–**	–

These unlisted bonds have an aggregate nominal value of RMB740,000 (31 March 2012: RMB740,000), bear interest at a rate of 2.70% (31 March 2012: 2.70%) per annum and have been settled in October 2012.

12. TRADE PAYABLES

Trade payables are non-interest-bearing and are normally settled on 30-day to 60-day terms. An aged analysis of the trade payables as at the end of the reporting period, based on invoice date, is as follows:

	Group	
	As at 30 September 2012 (Unaudited)	As at 31 March 2012 (Audited)
	HK\$'000	*HK\$'000*
Within 90 days	**63,185**	23,860
91 to 180 days	**1,630**	329
181 to 365 days	**405**	313
Over 365 days	**136**	107
	65,356	24,609

13. INTEREST-BEARING BANK BORROWINGS

	Group	
	As at 30 September 2012 (Unaudited)	As at 31 March 2012 (Audited)
	HK\$'000	*HK\$'000*
Analysed into bank loans repayable:		
Within one year or on demand	**28,240**	33,388
In the second year	**3,752**	13,370
	31,992	46,758

The interest-bearing bank borrowings were classified as current liabilities as the loan agreements contain an overriding clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion. The analysis presented above is based on scheduled repayment dates set out in the notices for repayment schedule issued by the banks and ignore the effect of any repayment on demand clause.

Notes:

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

(i) mortgages over the Group's leasehold land and buildings, which had an aggregate carrying value at the end of the reporting period of approximately HK\$66,853,000 (31 March 2012: HK\$102,693,000); and

(ii) corporate guarantees given by the Company and a Group's subsidiary of HK\$70,240,000 (31 March 2012: HK\$70,240,000) and HK\$25,000,000 (31 March 2012: HK\$25,000,000), respectively.

(b) At the end of the reporting period, the bank loans were bearing interest at variable rates ranging from 1% to 5% (31 March 2012: from 1% to 7%) per annum.

(c) All borrowings are in Hong Kong dollars.

As at the end of the reporting period, the Company did not have any interest-bearing bank borrowings.

14. SHARE CAPITAL

	Company As at 30 September 2012 (Unaudited) *HK$'000*	As at 31 March 2012 (Audited) *HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
359,450,000 ordinary shares of HK$0.1 each	**35,945**	35,945

15. SHARE OPTION SCHEME

On 22 April 2005, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any consultants, advisers, managers or officers of the Group, and the Company's shareholders. The Scheme will remain in force for 10 years from the date of its adoption.

Movements in the number of share options outstanding and their weighted average exercise prices are as follows:

	Group and Company			
	For the six months ended 30 September 2012 (Unaudited)		For the year ended 31 March 2012 (Audited)	
	Weighted average exercise price per share *HK$*	**Number of share options** *'000*	Weighted average exercise price per share *HK$*	Number of share options *'000*
At beginning of period/year	**2.550**	**20,840**	3.354	9,840
Granted	**–**	**–**	1.830	11,000
Exercised	**–**	**–**	–	–
Cancelled	**(3.354)**	**(9,840)**	–	–
At end of period/year	**1.830**	**11,000**	2.550	20,840

On 16 August 2012, the shareholders of the Company resolved in the 2012 annual general meeting to cancel a total of 9,840,000 share options previously granted to certain directors and employees of the Group to subscribe for shares of HK$0.10 each in the Company under the Scheme on 2 December 2010 and remained outstanding as at 31 March 2012.

The Group recognised a share option expense of HK$4,280,000 in aggregate during the six months ended 30 September 2012 (2011: HK$1,927,000).

16. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the Interim Financial Statements were as follows:

	Group	
	As at 30 September 2012 (Unaudited) *HK$'000*	As at 31 March 2012 (Audited) *HK$'000*
Bank guarantees given in lieu of utility and property rental deposits	**6,936**	5,502

Save as disclosed elsewhere in the Interim Financial Statements, the Company did not have any significant contingent liabilities as at the end of the reporting period.

17. COMMITMENTS

(i) Commitments under operating leases

The Group, as lessee, leases its retail shops, certain of its offices and warehouses under operating lease arrangements with lease terms ranging from one to nine years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	As at 30 September 2012 (Unaudited) *HK$'000*	As at 31 March 2012 (Audited) *HK$'000*
Within one year	**212,055**	236,617
In the second to fifth year, inclusive	**201,314**	258,255
Over five years	**5,707**	7,013
	419,076	501,885

The operating lease rentals of certain retail shops are based on the higher of a fixed rental or contingent rent based on the sales of the retail shops pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these retail shops could not be estimated reliably, the relevant contingent rent has not been included above and only the minimum lease commitment has been included in the above table.

No operating lease arrangements were entered into by the Company as at 30 September 2012 (31 March 2012: Nil).

(ii) Other commitment

In addition to the operating lease commitments detailed above, the Group and the Company had no material capital commitments contracted, but not provided for in the Interim Financial Statements as at 30 September 2012 (31 March 2012: Nil).

18. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Group Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Computer system maintenance charges paid to related companies	**291**	705
Purchases of computer equipment from related companies	**–**	770

(b) Compensation of key management personnel

	Group Six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term employee benefits	**2,274**	1,938
Equity-settled share option expense	**547**	513
Post-employment benefits	**31**	28
Total compensation paid to key management personnel	**2,852**	2,479

19. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current period's presentation and accounting treatment.

20. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Directors on 23 November 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group encountered substantial difficulties in various markets during the six months ended 30 September 2012. Adversely affected by the global economic slowdown, European debt crisis and certain domestic policy issues, the retail performance in various markets within which the Group operated was disappointing. The consolidated turnover of the Group increased just slightly to approximately HK$481.0 million (2011: HK$465.0 million) for the six months ended 30 September 2012. During the period under review, the Group recorded a positive same-store-growth rate of about 3.2%. In response to the economic slowdown and unhealthily high level of slow-moving inventories, the Group proactively offered more intense promotional discounts on products to galvanise sales and to reduce inventories to a healthier level. The gross margin was then significantly trimmed by about 5.5 percentage points to approximately 66.2% (2011: 71.7%) for the six months ended 30 September 2012. Besides, the operating costs, particularly the rental and labour costs, continued to surge at a high level. As a result, the net profit for the six months ended 30 September 2012 dropped to about HK$10.3 million (2011: HK$15.0 million) and the net profit margin was further squeezed to about 2.1% (2011: 3.2%).

In view of the sluggish retail sentiment and soaring operating costs, the Group maintained a comparable scale of its retail networks during the period under review. As at 30 September 2012, the Group had a total of 246 shops in operation (31 March 2012: 244).

	As at 30 September 2012	**As at 31 March 2012**	**Changes**
Self-managed outlets			
Hong Kong & Macau	82	79	+3
Taiwan	86	78	+8
Mainland China	39	45	–6
	207	**202**	**+5**
Franchised outlets			
Mainland China	**39**	**42**	**–3**
TOTAL	**246**	**244**	**+2**

Hong Kong and Macau

The retail operations in Hong Kong and Macau, which accounted for about 65.1% (2011: 62.8%) of the Group's turnover, sustained sales growth of approximately 7.3% to roughly HK$313.1 million (2011: HK$291.8 million) during the period under review. The Group also recorded a positive same-store-growth rate of about 10.5% for the six months ended 30 September 2012. The Group was fine-tuning its shop mix by introducing more attractive branded shops, gradually renovating its existing shop design in a more lively and attractive style, closing down certain underperforming shops and relocating shops to other prime shopping locations with lower rentals. The Group remains committed to maintaining a robust and diverse retail network aimed at fuelling stable growth over the long term. Together with a one-off compensation received from landlords totalling about HK$21.7 million for early termination of certain tenancies, segment profit before tax of the Group's Hong Kong and Macau operations was about HK$37.1 million (2011: HK$32.2 million) for the six months ended 30 September 2012.

Mainland China

The Group continued to consolidate and eliminate underperforming sales outlets in Mainland China. During the period under review, turnover from Mainland China dropped to about HK$72.3 million (2011: HK$84.1 million). The segment incurred losses of about HK$5.8 million (2011: profit of about HK$1.1 million) for the six months ended 30 September 2012. As at 30 September 2012, the Group operated its self-managed retail shops in Beijing, Shanghai, Guangzhou, Nanjing and Suzhou and maintained a sizable franchise network spanning about 20 second-tier cities in Mainland China. Actually, the challenges within the domestic market during the period under review were serious. Although the sales performance appeared to have gradually stabilised with a positive same-store-growth rate of about 5.8% recorded in the period under review after elimination of many problematic retail outlets during the previous year, the growth momentum was still volatile and cost-rising operating conditions continued. It was expected to take a longer time to recover stronger growth and to resume profit in the region. The Group has paid special attention to proactively monitor the performance and operating effectiveness of its shop portfolio.

Taiwan

The Group performed considerably worse in the Taiwan market during the six months ended 30 September 2012. Adversely affected by an economic slowdown, the retail performance in Taiwan rapidly and seriously deteriorated. The Group recorded a negative same-store-growth rate of about 22.7% during the period under review. Although the total number of shops operated by the Group in Taiwan rose by 8 to 86 in the first-half of the fiscal year, the total sales in Taiwan merely achieved a slight growth of 0.6% to about HK$77.6 million (2011: HK$77.1 million). To stimulate retail sales and reduce slow-moving inventories, the Group greatly increased the promotional activities and discounts to retail consumers. Hence, gross margin inevitably dropped. As a result of sluggish sales growth, a drop in gross margin and soaring operating costs, the segment incurred losses of about HK$8.9 million (2011: profit of about HK$7.4 million) during the period under review. The Group closely monitored the effectiveness of its shop portfolio in a regular basis and altered its portfolio mix in order to react promptly to changing market conditions. The Group would also continue to create stronger brand equity for the Group's in-house labels. In what has proven to be an effective element of the Group's strategy in Taiwan, most of the shops were located within reputable department stores in major Taiwan cities.

Elsewhere

The Group extended its business coverage to several countries, with a particular focus on Asia, through wholesale operations. The turnover from the segment improved substantially by about 50% to about HK$18.0 million (2011: HK$12.0 million). The encouraging result was mainly attributable to the significant growth in sales to the Japanese market. However, due to the unstable economy in Japan, the sales growth in that region is expected to be quite volatile in the future. The Group plans to maintain the current scale of its operations in the country to address the demand from existing customers.

FINANCIAL REVIEW

Turnover

The aggregate turnover of the Group rose by approximately 3.4% to around HK$481.0 million (2011: HK$465.0 million) for the six months ended 30 September 2012, which comprised about HK$450.3 million (2011: HK$429.0 million) in sales from retail operations, roughly HK$12.7 million (2011: HK$24.0 million) in sales from the franchise business and about HK$18.0 million (2011: HK$12.0 million) in sales from the wholesale business. The retail business was the major sales contributor, accounting for approximately 93.6% (2011: 92.3%) of total turnover.

During the period under review, the Group's in-house branded products accounted for about 76% (2011: 82%) of total turnover of the Group. The drop in sales mix was mainly due to a significant increase in sales from import brands following the launch of "SUPERDRY" licensed brand specialty shops.

Operating Segment Information

Detailed information of the Group's turnover and its contribution to profit before tax by segment is shown in note 3 to the Interim Financial Statements.

Gross Profit

The Group's gross profit dropped to approximately HK$318.6 million (2011: HK$333.6 million) for the six months ended 30 September 2012 and gross margin greatly narrowed by 5.5 percentage points to around 66.2% (2011: 71.7%) when compared with the same period last year. Owing to a stagnant retail performance, the Group had to significantly increase the extent and frequency of sales promotions to retail customers to galvanise sales growth and to reduce unhealthily high level of slow-moving inventories.

Exceptional Other Income and Gain

During the six months ended 30 September 2012, the Group received compensation of about HK$21.7 million (2011: Nil) in aggregate from landlords for early termination of certain rental leases in Hong Kong and Macau with the Group. In addition, the Group recorded a net gain of about HK$15.2 million (2011: Nil) in respect of disposal of property, plant and equipment. The disposal gain was mainly contributed by the sales of certain under-utilised properties in Hong Kong for an aggregate consideration of about HK$59.4 million. These properties were originally acquired to serve as warehouses, car parking spaces and staff quarters for the Group's retail operation. However, in light of the recent economic slowdown and slow sales growth, the properties were in low utilisation and were expected to be continued in the foreseeable future. Therefore, the Group realised the redundant properties for cash to improve working capital and to facilitate resource allocation in a more productive manner.

Operating Expenses and Finance Costs

Operating expenses increased by about 7.5% to approximately HK$339.0 million (2011: HK$315.3 million) during the six months ended 30 September 2012, equivalent to roughly 70.5% of total turnover (2011: 67.8%). Rent for land and buildings was about HK$147.7 million (2011: HK$135.8 million), which accounted for about 30.7% (2011: 29.2%) of the Group's turnover and equivalent to about 43.6% (2011: 43.1%) of the Group's total expenses during the period under review. The increase was mainly because of rising market rentals. During the period under review, the Group continued to strategically relocate and consolidate certain shops to gradually moderate rental increment and to enhance sales area utilisation.

Staff cost was another major operating expense that increased to approximately HK$103.7 million (2011: HK$94.5 million) during the six months ended 30 September 2012. Staff cost-to-sales ratio also came up to about 21.6% (2011: 20.3%) for the six months ended 30 September 2012. Inflationary operating environments and shortage of skillful retail sales staff pushed up the wages in general. Through effective use of incentive systems to motivate sales staff for better efficiency and cost control measures, they helped the Group to contain the staff cost-to-sales ratio at an acceptable level.

Depreciation charges rose to approximately HK$21.5 million (2011: HK$17.2 million) for the six months ended 30 September 2012. Marketing expenses, including advertising, promotion and exhibition expenses, were reduced to approximately HK$11.1 million (2011: HK$15.7 million) for the period under review since the Group intended to focus more resources during the traditional peak sales season in the second-half of the fiscal year. In addition, the finance cost was about HK$0.9 million (2011: HK$0.3 million), which represented the interest expenses paid for bank borrowings.

Net Profit

The Group's net profit declined by about 31.3% from approximately HK$15.0 million in the corresponding period of 2011 to approximately HK$10.3 million for the six months ended 30 September 2012. Net profit margin also slid from about 3.2% to about 2.1%.

CAPITAL STRUCTURE

As at 30 September 2012, the Group had net assets of approximately HK$508.3 million (31 March 2012: HK$517.0 million), comprising non-current assets of approximately HK$244.3 million (31 March 2012: HK$287.8 million), net current assets of approximately HK$265.8 million (31 March 2012: HK$231.1 million) and non-current liabilities of approximately HK$1.8 million (31 March 2012: HK$1.9 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2012, the Group had cash and cash equivalents of about HK$46.3 million (31 March 2012: HK$86.2 million).

As at 30 September 2012, the Group had aggregate banking facilities of about HK$107.0 million (31 March 2012: HK$111.5 million) comprising interest-bearing bank overdraft, mortgage loans and revolving loans, rental and utility guarantees as well as import facilities, of which about HK$57.5 million had not been utilised as at the end of the reporting period. In particular, the Group had bank borrowings of about HK$32.0 million as at 30 September 2012 (31 March 2012: HK$46.8 million), which were in Hong Kong dollars, repayable within three years or on demand and bearing interest at variable rates ranging from 1% to 5% (31 March 2012: from 1% to 7%) per annum.

The gearing ratio of the Group at the end of the reporting period, representing a percentage of total interest-bearing bank borrowings to total assets, amounted to about 4.5% (31 March 2012: 6.6%).

CASH FLOWS

For the six months ended 30 September 2012, net cash flows used in operating activities was approximately HK$38.8 million (2011: HK$40.0 million), which mainly attributed to a substantial increase in inventory level. Net cash inflow from investing activities of about HK$37.0 million (2011: cash outflow of HK$91.6 million) were mainly contributed by proceeds on disposal of certain redundant properties for better corporate resource allocation during the period under review. Net cash flows used in financing activities during the period under review amounted to about HK$38.1 million (2011: cash inflow of HK$27.1 million). It was mainly attributable to payment of 2011/12 final dividends and partial repayment of bank borrowings.

SECURITY

As at 30 September 2012, the Group's general banking facilities and bank borrowings were secured by certain of its leasehold land and buildings with aggregate carrying value of approximately HK$66.9 million (31 March 2012: HK$102.7 million) and cross guarantees from the Company and certain subsidiaries of the Group.

CAPITAL COMMITMENT

As at 30 September 2012, the Group and the Company had no material capital commitments in respect of acquisition of items of property, plant and equipment contracted, but not provided for in the financial statements (31 March 2012: Nil).

CONTINGENT LIABILITIES

As at 30 September 2012, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK$6.9 million (31 March 2012: HK$5.5 million). Save as disclosed elsewhere in the Interim Financial Statements, the Company had no material contingent liabilities as at the end of the reporting period (31 March 2012: Nil).

HUMAN RESOURCES

Including all directors, the Group had 1,550 employees as at 30 September 2012 (31 March 2012: 1,659). To attract and retain high quality staff, the Group provided competitive remuneration packages with performance bonuses, mandatory provident fund, insurance and medical coverage as well as entitlements to share options to be granted under a share option scheme based on employees' performance, experience and the 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 period were mostly denominated in Hong Kong dollars, Renminbi, United States dollars and Euros. 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

The challenges that the retail sector was confronted with are expected to persist in the second half of the financial year. Consequently, we anticipate that customer traffic will continue to be erratic, consumption sentiment will lean towards cautionary and operating expenditures will remain high in the short-term. Amid such an uncertain environment, the Group will seek to consolidate its operations, raise overall efficiency, and enhance brand image through the introduction of desirable products that are backed by effective marketing and promotions.

Having successfully introduced several product lines during the past year, including leather jackets and accessories that placed us at the forefront of the market, we will continue to direct resources toward developing and promoting such popular products as they possess high growth prospects and enable higher sales. Consistent with this strategy, we launched the "Salad – Carry Me" campaign in October 2012 for the "Salad" brand leather handbag line, which links "Salad" with a refreshing, friendly and joyful image. In addition to immediately stimulating sales, the campaign has also helped elevate Salad's position to that of a premium brand for young working ladies.

Apart from the aforesaid campaign, the Group also sought other means of raising the profile of the Salad brand, including the use of print advertising, eye-catching billboards at popular shopping destinations and new media. Such a comprehensive and carefully orchestrated approach not only increased exposure and encouraged customer traffic but also enhanced awareness of the Group's in-house brands as a whole. As we fully believe that brand reputation and sales performance go hand in hand, we will continue to direct efforts towards brand building by tapping a large number of promotional channels and projecting a fashionable image that is popular and that our target customers identify with.

In view of the challenging times ahead, we anticipate that sales in key markets will remain uncertain and therefore believe that maintaining a prudent approach towards business development will be essential. We aim to enhance inventory turnover by better aligning stock ordering with current market demand. In the face of escalating rent and labour costs, particularly in Hong Kong and Mainland China, we will focus on bolstering the performance of existing retail stores rather than rapidly expanding our sales network. The Group will, however, relocate certain sales points to more cost-effective locations to achieve greater efficiency, and open additional sales outlets to reduce stocks of slow-moving inventories and improve cash flow. Last but not least, we will closely advance business development in parallel with the development of the market, carefully monitor and control costs and allocate resources efficiently and effectively to enhance overall performance.

DIVIDENDS

The Directors declared to pay an interim dividend of HK1.0 cent per ordinary share for the six months ended 30 September 2012 (2011: HK2.0 cents) payable on or about **Thursday, 7 February 2013** to shareholders whose names appear on the register of members of the Company on **Friday, 18 January 2013**.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from **Wednesday, 16 January 2013 to Friday, 18 January 2013**, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, 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, 15 January 2013**.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 September 2012 except for not having a separate Chairman and Chief Executive Officer of the Group. 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. As 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 Company and its shareholders as a whole that Mr. Wong continues to assume the roles of the Chairman and the Chief Executive Officer of the Group.

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 throughout the six months ended 30 September 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 six months ended 30 September 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 and discussed with management the accounting principles and practices adopted by the Group, internal control and financial reporting matters, including the review of the Interim Financial Statements for the six months ended 30 September 2012.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement for the six months ended 30 September 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 2012/13 interim 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 my sincere appreciation to all the Group's employees for their dedication.

By Order of the Board
Bauhaus International (Holdings) Limited
Wong Yui Lam
Chairman

Hong Kong, 23 November 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.