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 2013

➢ Total turnover of the Group increased by about 11.5% to approximately HK$1,293.7 million (2012: HK$1,159.9 million).

➢ Gross profit increased to about HK$828.9 million (2012: HK$804.5 million).

➢ Gross margin declined by about 5.3 percentage points to about 64.1% (2012: 69.4%).

➢ Net profit for the year increased by about 30.8% to approximately HK$99.3 million (2012: HK$75.9 million).

➢ Net margin was about 7.7% (2012: 6.5%).

➢ Basic earnings per share increased to about HK27.6 cents (2012: HK21.1 cents).

➢ A final dividend of HK10.1 cents (2012: HK6.5 cents) per ordinary share was proposed.

➢ Dividend payout ratio (including the interim dividend of HK1.0 cent) was about 40.2% (2012: 40.3%) of the net profit.

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 2013, 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 2013

	Notes	**2013** *HK$'000*	2012 *HK$'000*
REVENUE	5	**1,293,677**	1,159,872
Cost of sales		**(464,748)**	(355,355)
GROSS PROFIT		**828,929**	804,517
Other income and gains	5	**14,995**	4,329
Compensation received for early termination of tenancies		**21,700**	–
Selling and distribution expenses		**(607,942)**	(574,936)
Administrative expenses		**(115,463)**	(120,063)
Other expenses		**(11,438)**	(8,777)
Finance costs	6	**(1,400)**	(1,277)
PROFIT BEFORE TAX	7	**129,381**	103,793
Income tax expense	8	**(30,126)**	(27,906)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**99,255**	75,887
OTHER COMPREHENSIVE INCOME			
Currency translation differences		**1,482**	5,197
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**100,737**	81,084
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	10		
Basic		**27.6 cents**	21.1 cents
Diluted		**27.6 cents**	21.0 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 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**126,968**	187,669
Intangible assets		**1,381**	1,565
Rental, utility and other non-current deposits		**63,264**	78,072
Deferred tax assets		**18,487**	20,477
Total non-current assets		**210,100**	287,783
CURRENT ASSETS			
Inventories		**259,637**	269,449
Trade receivables	*11*	**57,690**	28,653
Prepayments, deposits and other receivables		**32,215**	30,056
Tax recoverable		**1,622**	2,441
Held-to-maturity debt securities		**–**	920
Cash and bank balances		**197,876**	86,167
Total current assets		**549,040**	417,686
CURRENT LIABILITIES			
Trade payables	*12*	**23,263**	24,609
Other payables and accruals		**84,051**	102,302
Interest-bearing bank borrowings	*13*	**42,299**	46,758
Tax payable		**11,410**	12,954
Total current liabilities		**161,023**	186,623
NET CURRENT ASSETS		**388,017**	231,063
TOTAL ASSETS LESS CURRENT LIABILITIES		**598,117**	518,846
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,750**	1,865
NET ASSETS		**596,367**	516,981
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**35,945**	35,945
Reserves		**524,117**	457,672
Proposed dividend	*9*	**36,305**	23,364
TOTAL EQUITY		**596,367**	516,981

1. BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2013. 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 revised HKFRSs for the first time for the current year's 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*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

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

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

HKFRS 1 Amendments	Amendments to HKFRS 1 F*irst-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 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
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]
HK(IFRIC)-lnt 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[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 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, unallocated gains, finance costs and unallocated expenses are excluded from this measurement.

Segment assets exclude deferred tax assets, tax recoverable, 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 unallocated liabilities 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)*

	Hong Kong and Macau *HK$'000*	Mainland China *HK$'000*	Taiwan *HK$'000*	Elsewhere *HK$'000*	Total *HK$'000*
Year ended 31 March 2013					
Segment revenue:					
Sales to external customers	**880,066**	**152,383**	**222,279**	**38,949**	**1,293,677**
Intersegment sales	**7,094**	**7,588**	**115,835**	**2,292**	**132,809**
	887,160	**159,971**	**338,114**	**41,241**	**1,426,486**
Reconciliation:					
Elimination of intersegment sales					**(132,809)**
Revenue					**1,293,677**
Segment results:	**177,817**	**(21,981)**	**(1,608)**	**11,744**	**165,972**
Reconciliation:					
Interest income					**199**
Unallocated gains, net					**16,331**
Finance costs					**(1,400)**
Unallocated expenses					**(51,721)**
Profit before tax					**129,381**
Segment assets:	**297,873**	**107,907**	**104,940**	**7,518**	**518,238**
Reconciliation:					
Deferred tax assets					**18,487**
Tax recoverable					**1,622**
Unallocated assets					**220,793**
Total assets					**759,140**
Segment liabilities:	**51,012**	**32,410**	**10,498**	**587**	**94,507**
Reconciliation:					
Deferred tax liabilities					**1,750**
Interest-bearing bank borrowings					**42,299**
Tax payable					**11,410**
Unallocated liabilities					**12,807**
Total liabilities					**162,773**
Other segment information:					
Capital expenditure*	**18,603**	**6,771**	**5,274**	**96**	**30,744**
Unallocated capital expenditure*					**3,182**
					33,926
Depreciation	**14,691**	**8,946**	**10,603**	**–**	**34,240**
Amortisation of intangible assets	**73**	**38**	**40**	**179**	**330**
Unallocated depreciation					**6,049**
					40,619
Loss on disposal of items of property, plant and equipment	**1,668**	**3,229**	**121**	**–**	**5,018**
Unallocated gain on disposal of items of property, plant and equipment, net					**(16,331)**
					(11,313)
Compensation received for early termination of tenancies	**(21,700)**	**–**	**–**	**–**	**(21,700)**
Write-off of rental deposits	**–**	**3,078**	**–**	**–**	**3,078**
Impairment of items of property, plant and equipment	**3,492**	**2,588**	**–**	**–**	**6,080**

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

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

	Hong Kong and Macau *HK$'000*	Mainland China *HK$'000*	Taiwan *HK$'000*	Elsewhere *HK$'000*	Total *HK$'000*
Year ended 31 March 2012					
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, net					(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)*

Geographical information

Non-current assets

	Group	
	2013	2012
	HK$'000	*HK$'000*
Hong Kong and Macau	**69,951**	78,214
Mainland China	**19,122**	35,841
Taiwan	**10,461**	15,370
Elsewhere	**902**	963
	100,436	130,388

The non-current asset information above is based on the locations 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	
	2013	2012
	HK$'000	*HK$'000*
Revenue		
Sale of garment products and accessories	**1,293,677**	1,159,872
Other income		
Bank interest income	**199**	359
Others	**1,843**	2,251
	2,042	2,610
Gains		
Gain on disposal of items of property, plant and equipment, net	**11,313**	–
Foreign exchange differences, net	**1,640**	1,719
	12,953	1,719
	14,995	4,329

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2013 HK$'000	2012 HK$'000
Interest on bank loans wholly repayable within five years	**1,400**	1,277

7. PROFIT BEFORE TAX

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

	Group 2013 HK$'000	2012 HK$'000
Cost of inventories sold	**446,997**	325,820
Depreciation	**40,289**	38,415
Provision for slow-moving inventories, net, included in cost of sales	**17,751**	29,535
Rental expenses under operating leases in respect of land and buildings:		
Minimum lease payments	**238,017**	236,707
Contingent rents	**73,479**	62,155
	311,496	298,862
Rental expenses under operating leases in respect of equipment:		
Minimum lease payments	**657**	609
Contingent rents	**132**	139
	789	748
Auditors' remuneration	**2,017**	1,987
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and other benefits	**209,030**	197,087
Equity-settled share option expense*	**5,607**	4,582
Pension scheme contributions**	**12,000**	11,330
	226,637	212,999
Loss on disposal of items of property, plant and equipment, net	**–**	3,765
Amortisation of intangible assets	**330**	344
Write-off of rental deposits	**3,078**	1,363
Impairment of items of property, plant and equipment	**6,080**	2,328
Compensation received for early termination of tenancies	**(21,700)**	–

* On 16 August 2012, an ordinary resolution has been passed at annual general meeting for cancellation of the 2010 Options previously granted to certain employees and directors on 2 December 2010. The holders of the 2010 Options were not entitled to any compensation for any consequential loss as a result of the approval of such cancellation. Upon the cancellation, the unvested share option expenses of approximately HK$2,448,000 and HK$362,000 in relation to employees and directors, respectively, were charged to profit or loss.

** 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 (2012: Nil).

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

The PRC corporate income tax ("CIT") is applicable to five (2012: five) subsidiaries located in Mainland China. All of these subsidiaries were subject to the applicable CIT rate of 25% (2012: 24% to 25%) during the year ended 31 March 2013.

For the subsidiaries in Macau, one of them (2012: 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	
	2013	2012
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Provision for the year	**19,123**	18,034
Overprovision in prior years	**(1,099)**	(390)
Current tax – PRC		
Provision for the year	**4,632**	8,200
Overprovision in prior years	**(14)**	(92)
Current tax – Elsewhere		
Provision for the year	**5,776**	3,349
Overprovision in prior years	**(242)**	(277)
Deferred tax charge/(credit)	**1,950**	(918)
Total tax charge for the year	**30,126**	27,906

9. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Interim – HK1.0 cent (2012: HK2.0 cents) per ordinary share	**3,594**	7,189
Proposed final – HK10.1 cents (2012: HK6.5 cents) per ordinary share	**36,305**	23,364
	39,899	30,553

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$99,255,000 (2012: HK$75,887,000) and the weighted average number of ordinary shares of 359,450,000 (2012: 359,450,000) in issue during the year.

In the prior year, the calculation of the diluted earnings per share was 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 was the number of ordinary shares in issue during that 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.

No adjustment has been made to the basic earnings per share presented for the year ended 31 March 2013 in respect of a dilution as the exercise price of the share options of the Company outstanding during the year was higher than the average market price of the Company's ordinary shares and, accordingly, such share options held have no dilutive effect on the basic earnings per ordinary share.

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

	2013	2012
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity holders of the parent, used in the basic earnings per share calculation	**99,255**	75,887
	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
	359,450,000	361,189,207

11. TRADE RECEIVABLES

	Group 2013 HK$'000	2012 HK$'000
Trade receivables	**57,691**	28,654
Impairment	**(1)**	(1)
	57,690	28,653

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 2013 HK$'000	2012 HK$'000
Within 90 days	**57,628**	28,373
91 to 180 days	**37**	1
181 to 365 days	**11**	266
Over 365 days	**14**	13
	57,690	28,653

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 2013 HK$'000	2012 HK$'000
Within 90 days	**21,979**	23,860
91 to 180 days	**382**	329
181 to 365 days	**692**	313
Over 365 days	**210**	107
	23,263	24,609

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

13. INTEREST-BEARING BANK BORROWINGS

Group	**2013** Effective interest rate (%)	**2013** Maturity	**2013** *HK$'000*	2012 Effective interest rate (%)	2012 Maturity	2012 *HK$'000*
Current – secured						
Bank loans	**1–5**	**2013-2014**	**42,299**	1-7	2012	33,388
Bank loans which contain a repayment on demand clause	**–**	**–**	**–**	1-2	2013-2014	13,370
			42,299			46,758

	2013 *HK$'000*	2012 *HK$'000*
Analysed into bank loans repayable:*		
Within one year or on demand	**42,299**	33,388
In the second year	**–**	13,370
	42,299	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 Company did not have any interest-bearing bank borrowings as at 31 March 2013 and 31 March 2012.

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$66,154,000 (2012: HK$102,693,000); and

(ii) corporate guarantees given by the Company and a subsidiary of the Group of HK$70,240,000 and HK$30,000,000, respectively (2012: HK$70,240,000 and HK$25,000,000).

(b) All borrowings are in Hong Kong dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 March 2013, the global economic climate has remained unpredictable. Moreover, the slowdown of Mainland economy had a knock-on effect across Asia, including our key retail markets of Hong Kong & Macau, Taiwan and cities across the border. Despite the strong headwind confronted, the Group was still able to achieve relatively stable sales performance, which saw a recovery in the second half of the financial year. The achievement mainly contributed to the Group's prompt measures taken to cope with adverse market conditions and highly focused marketing strategies. The Group eventually achieved a record-high sales of about HK$1,293.7 million (2012: HK$1,159.9 million), a growth of about 11.5%.

The gross profit increased to about HK$828.9 million (2012: HK$804.5 million). Although, the gross margin was trimmed by about 5.3 percentage points to approximately 64.1% (2012: 69.4%) for the year ended 31 March 2013, the cash position and working capital were significantly improved after a series of stock clearance exercises. Including certain one-off exceptional income and gain of about HK$33.0 million in aggregate, the net profit increased by about 30.8% to about HK$99.3 million (2012: HK$75.9 million).

As at 31 March 2013, the Group had a total of 214 shops (2012: 244) in operation.

	As at 31 March 2013	As at 31 March 2012	Change
Self-managed outlets			
Hong Kong & Macau	**79**	79	–
Taiwan	**77**	78	-1
Mainland China	**30**	45	-15
	186	202	-16
Franchised outlets			
Mainland China	**28**	42	-14
TOTAL	**214**	244	-30

Hong Kong and Macau

Sales from retail operations in Hong Kong and Macau, which accounted for about 68.0% (2012: 65.2%) of the Group's turnover, increased by about 16.4% to approximately HK$880.1 million (2012: HK$756.2 million) during the year under review. The Group also recorded a strong same-store-sales growth rate of about 21%. The remarkable sales growth was mainly contributed by an effective advertising television campaign for the "SALAD" brand. The Group not only received an overwhelming response on the "SALAD" branded products, but also effectively improved customer traffic and sales in shops as well as boosted awareness of the Group's in-house brands as a whole. Together with a one-off compensation received from landlords totalling about HK$21.7 million, segment profit before tax of the Group's Hong Kong and Macau operations was about HK$177.8 million (2012: HK$149.4 million) for the year ended 31 March 2013.

In response to soaring costs, particularly rentals, the Group intended to maintain an optimum operating scale and its strategic focus. During the year under review, the Group continued to enhance shop efficiency and profitability by adjusting its shop mix, introducing more attractive branded shops, closing down underperforming shops and relocating shops to other prime shopping locations with affordable rentals. The Group also renovated its existing shop design in a more lively, trendy and attractive style to remain competitive in the retail market.

Mainland China

As at 31 March 2013, the Group operated its self-managed retail shops in Beijing, Shanghai, Guangzhou, Nanjing and Suzhou and maintained a franchise network spanning about 15 second-tier cities in Mainland China. Because of the Group's strategic consolidation efforts in both retail and franchise operations in China, the turnover of the region decreased by about 13.6% to about HK$152.4 million (2012: HK$176.4 million). The segment incurred losses of about HK$22.0 million (2012: HK$18.7 million) for the year ended 31 March 2013.

Instead of focusing on business expansion in Mainland China, the Group's top priority was to retain capital and restore profitability within the foreseeable future. During the year under review, the number of shops in the region has been reduced to 58 (2012: 87) as at 31 March 2013. The downsizing exercises led to an exceptional expense of about HK$10.9 million (2012: HK$8.0 million) incurred during the year under review, which mainly consisted of loss on disposal and impairment of fixed assets, write-off of rental deposits and compensation for termination of leases. Encouragingly, the strategy has already started to reap benefits as some stores began to deliver an appreciable rise in sales with a positive same-store-sales growth rate of about 10% for the year. The Group will adopt a flexible approach to monitor performance of each individual store and adjust its portfolio in a timely manner.

Taiwan

The retail performance in Taiwan was adversely affected by an economic slowdown, particularly in the first half of the financial year. The segment incurred losses of about HK$1.6 million (2012: profit of HK$14.4 million) despite turnover from Taiwan operations growing by about 8.2% to approximately HK$222.3 million (2012: HK$205.5 million). To stimulate retail sales and reduce slow-moving inventories, the Group exerted considerable effort on promotions and offered deeper discounts to customers. The Group periodically closely monitored the effectiveness of its shop portfolio and altered its portfolio mix in order to react promptly to changing market conditions. As a result, same-store-sales growth rate had substantially been improved in the second half of the financial year. As at 31 March 2013, there were a total of 77 shops in Taiwan, in which most of the shops were located within reputable department stores in major 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 78.4% to about HK$38.9 million (2012: HK$21.8 million). The satisfactory result was mainly attributable to the significant growth in sales to the Japanese market. The Group will continue to maintain a similar scale of its wholesale operations to address the demand from existing customers.

FINANCIAL REVIEW

Turnover

The aggregate turnover of the Group rose by approximately 11.5% to around HK$1,293.7 million (2012: HK$1,159.9 million) for the year ended 31 March 2013, which comprised about HK$1,230.7 million (2012: HK$1,097.5 million) in sales from retail operations, about HK$23.8 million (2012: HK$39.7 million) in sales from the franchise business and about HK$39.2 million (2012: HK$22.7 million) in sales from the wholesale business. The retail business was the largest sales contributor, accounting for approximately 95.1% (2012: 94.6%) of total turnover and achieving a year-on-year growth of about 12.1%.

During the year under review, the Group’s in-house branded products accounted for about 80% (2012: 80%) of total turnover of the Group.

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 increased to approximately HK$828.9 million (2012: HK$804.5 million) for the year ended 31 March 2013 while gross margin substantially narrowed by about 5.3 percentage points to around 64.1% (2012: 69.4%) when compared with last financial year. Owing to a stagnant retail performance, especially in Mainland China and Taiwan, the Group significantly increased the extent and frequency of sales promotions to customers to galvanise sales growth and launched several large-scale bargain sales activities during the year under review to reduce excessively high off-season and slow-moving inventories.

Exceptional Other Income and Gain

During the year ended 31 March 2013, the Group received compensation of about HK$21.7 million (2012: Nil) in aggregate from landlords for early termination of certain leases in Hong Kong and Macau with the Group. In addition, the Group recorded a net gain of about HK$11.3 million (2012: Nil) in respect of disposal of items 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 economic slowdown, the properties were in low utilisation during the year under review and were expected to be continued in the foreseeable future. Therefore, the Group realised the redundant properties for cash to generate working capital and to facilitate resource allocation in a more productive manner.

Operating Expenses

Operating expenses increased by about 4.4% to approximately HK$734.8 million (2012: HK$703.8 million) during the year ended 31 March 2013, equivalent to roughly 56.8% of total turnover (2012: 60.7%). Rent for land and buildings was about HK$311.5 million (2012: HK$298.9 million), which accounted for about 24.1% (2012: 25.8%) of the Group's turnover and equivalent to about 42.4% (2012: 42.5%) of the Group's total expenses during the year under review. The market rentals continued to surge during the year under review. However, as the Group strategically relocated shops to other prime shopping areas commanding lower rent, consolidated shops in nearby locations, and shut inefficient shops, particularly in Mainland China, the respective cost-to-sales ratio were improved accordingly.

Staff cost increased by about 6.4% to approximately HK$226.6 million (2012: HK$213.0 million) during the year ended 31 March 2013. Staff cost-to-sales ratio, however, dropped to about 17.5% (2012: 18.4%) for the year under review. Although the inflationary operating environment and shortage of professional retail sales staff led to surge in average staff cost, the Group devoted substantial efforts to streamline the operations in supporting back offices and reduced headcount in general. In addition, through effective use of incentive systems to motivate sales staff to improve efficiency and stringent cost control measures, they helped the Group to moderate the staff cost increment and to maintain the staff cost-to-sales ratio at an acceptable level.

Depreciation charges rose to approximately HK$40.3 million (2012: HK$38.4 million) for the year under review. Marketing expenses, including advertising, promotion and exhibition expenses, increased mildly by about 8.9% to approximately HK$34.2 million (2012: HK$31.4 million) for the year ended 31 March 2013 despite substantial spending being made on a television advertising program launched during the year under review. In fact, the Group invested wisely and focused marketing resources on the traditional peak sales season in the second half of the financial year.

Finance Costs

The Group incurred a finance cost of about HK$1.4 million (2012: HK$1.3 million) during the year under review, which represented the interest expenses paid for bank borrowings.

Net Profit

The Group's net profit attributable to shareholders improved by about 30.8% to approximately HK$99.3 million (2012: HK$75.9 million) for the year ended 31 March 2013. Net profit margin also increased slightly from about 6.5% to about 7.7%. However, by excluding the one-off exceptional income and gain of about HK$33.0 million (2012: Nil) in respect of compensation received from early termination of leases and disposal of items of property, plant and equipment and the restructuring costs of about HK$10.9 million (2012: HK$8.0 million) incurred in consolidating the Mainland China operations, the recurring base net profit dropped by about 8.0% to approximately HK$77.2 million (2012: HK$83.9 million), which was mainly attributable to the unsatisfactory segment results in both Mainland China and Taiwan.

CAPITAL STRUCTURE

As at 31 March 2013, the Group had net assets of approximately HK$596.4 million (2012: HK$517.0 million), comprising non-current assets of approximately HK$210.1 million (2012: HK$287.8 million), net current assets of approximately HK$388.0 million (2012: HK$231.1 million) and non-current liabilities of approximately HK$1.7 million (2012: HK$1.9 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2013, the Group had cash and cash equivalents of about HK$197.9 million (2012: HK$86.2 million). At the end of the reporting period, the Group had aggregate banking facilities of about HK$110.3 million (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$58.3 million had not been utilised. In particular, the Group had bank borrowings of about HK$42.3 million as at 31 March 2013 (2012: HK$46.8 million), which were in Hong Kong dollars, repayable within two years and bearing interest at variable rates ranging from about 1% to 5% (2012: from about 1% to 7%) 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 5.6% (2012: 6.6%).

CASH FLOWS

For the year ended 31 March 2013, net cash inflows from operating activities increased significantly to approximately HK$115.3 million (2012: HK$60.2 million), which was mainly attributed to an increase in sales. Resulting from the receipt of proceeds on disposal of certain under-utilised properties of about HK$59.4 million and significant decrease in capital expenditure, the Group generated net cash inflows from investing activities of about HK$26.5 million (2012: net cash outflows of HK$115.7 million) during the year under review. Net cash flows used in financing activities during the year under review increased to approximately HK$31.4 million (2012: HK$16.9 million). In view of strong cash inflows generated from operating activities, the Group repaid certain bank borrowings and reduced the Group's gearing level.

SECURITY

As at 31 March 2013, 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$66.2 million (2012: HK$102.7 million) and cross guarantees from the Company and a subsidiary of the Group.

CAPITAL COMMITMENT

As at 31 March 2013, both 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 (2012: Nil).

CONTINGENT LIABILITIES

As at 31 March 2013, the Group had contingent liabilities in respect of bank guarantees given in lieu of utility and property rental deposits amounting to approximately HK$7.6 million (2012: HK$5.5 million). As at 31 March 2013, the banking facilities granted to a subsidiary subject to guarantee given to bank by the Company of HK$70,240,000 (2012: HK$70,240,000) was utilised to the extent of HK$31,318,000 (2012: HK$31,466,000).

HUMAN RESOURCES

Including all Directors, the Group had 1,486 (2012: 1,659) employees as at 31 March 2013. To attract and retain high quality staff, the Group provided competitive remuneration packages with performance bonuses, mandatory provident fund, and 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 year were mostly denominated in Hong Kong dollars, Renminbi, New Taiwan dollars and United States dollars. The Group was exposed to certain foreign currency exchange risks but 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

Looking ahead, the upcoming financial year is expected to be another economically challenging period for Mainland China, Hong Kong and Taiwan owing to weak consumption, compounded by rising rent, labour and raw material costs.

Against the challenges, the Group will closely monitor the aforementioned markets and adjust its business strategies accordingly. Among the measures to be considered include consolidating its existing sales networks and eliminating low-performing stores. A thorough review of the Group's financial position will be made as well, with appropriate cost saving practices taken. In addition, the Group will seek to bolster its brand image through the promotion of selected products combined with effective marketing campaigns. Such a multifaceted approach has proven successful at helping the Group weather some of the most difficult times over the past decades; hence the management trusts that it will again help pave the way towards long-term sustainable growth.

With respect to combating rising rent and labour costs, the primary objective will be to raise the performance of existing retail stores while consolidating the sales network to reduce lease commitments. As such, the Group will close some retail stores in prime locations in situations where they fail to provide adequate return on investment. The management will also consider the feasibility of relocating some stores that could be moved to a nearby location either to benefit from lower rent or as a pre-emptive measure ahead of rental increases. All of these measures will be considered for the Group's entire sales network, whether in Hong Kong, Macau, Taiwan or Mainland China.

Looking at the Mainland China operations specifically, the Group's top priority is to remain in a healthy financial position and regain profitability. To achieve this objective, the Group may continue to consolidate both retail and franchise operations, terminating loss-making and non-performing stores. This measure has already started to reap benefits as some stores began to deliver an appreciable rise in sales by the end of the financial year under review.

In terms of promotional activities, it is worth noting that the "*Salad – Take Me Home*" campaign proven to be a significant success as it stimulated sales of "SALAD" branded handbags and elevated SALAD's position to that of a premium brand in the eyes of young professional ladies. Further benefits included increasing customer traffic, extending to the Group's affiliated stores. Following on the success of the "*Salad – Take Me Home*" campaign, two television advertisements are set for launch in 2013. To ensure that the advertisements achieve both maximum impact and cost benefit, they are to be introduced towards the latter half of the year to capitalise on the holiday seasons.

Having maintained a healthy financial position with strong liquidity despite the challenging market conditions, the management will continue to observe its proven business strategy. This will include launching large-scale sales promotions to further reduce inventory and increase cash flow. The Group will also be more judicious in the use of resources, aligning operational and financial objectives with the market situation. As well, continuing consolidation will be conducted to optimise the efficiency of the sales networks. Even though the operating environment is expected to remain unstable, the Group will seek to strengthen its business foundation with the goal of realising better results once conditions improve.

DIVIDEND

An interim dividend of HK1.0 cent per ordinary share for the six months ended 30 September 2012 (2011: HK2.0 cents) was paid on 7 February 2013.

The Directors recommended the payment of a final dividend of HK10.1 cents (2012: HK6.5 cents) per ordinary share for the year ended 31 March 2013. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the final dividend will be payable on or before Friday, 27 September 2013 to shareholders whose names appear on the register of members on Thursday, 12 September 2013.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "**AGM**") is scheduled on Tuesday, 3 September 2013. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 30 August 2013 to Tuesday, 3 September 2013, 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 Thursday, 29 August 2013.

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 Thursday, 12 September 2013. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 10 September 2013 to Thursday, 12 September 2013, 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 Monday, 9 September 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 year ended 31 March 2013 except for not having a separate chairman (the "**Chairman**") and chief executive officer (the "**CEO**") of the Company. Both positions are currently held by Mr. Wong Yui Lam ("**Mr. Wong**").

CG Code provision A.2.1 stipulates that the roles of Chairman and CEO should be separate and should not be performed by the same individual. As the founder of the Group, Mr. Wong has substantial experience in fashion industry and retail operations. 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 CEO.

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 year ended 31 March 2013.

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 2013.

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 2013.

PUBLICATION OF THE FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The final results announcement for the year ended 31 March 2013 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 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 deep 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
Bauhaus International (Holdings) Limited
Wong Yui Lam
Chairman

Hong Kong, 21 June 2013

BOARD OF DIRECTORS

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