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 2015

- Total turnover of the Group increased by about 11.5% to approximately HK$1,591.8 million (2014: HK$1,427.1 million).
- Gross profit increased to about HK$968.8 million (2014: HK$909.6 million).
- Gross margin declined to about 60.9% (2014: 63.7%).
- Net profit for the year increased slightly by about 3.4% to approximately HK$129.4 million (2014: HK$125.1 million).
- Net margin declined to about 8.1% (2014: 8.8%).
- Basic earnings per share increased to about HK35.4 cents (2014: HK34.6 cents).
- A final dividend of HK13.5 cents (2014: HK14.0 cents) per ordinary share was proposed.
- Dividend payout ratio (including the interim dividend of HK1.5 cents) was about 42.6% of the net profit (2014: 45.2%).

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 2015, prepared on the basis set out in Note 1 below, together with comparative figures of the previous year, as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
REVENUE	*5*	**1,591,817**	1,427,113
Cost of sales		**(623,050)**	(517,530)
GROSS PROFIT		**968,767**	909,583
Other income and gain	*5*	**10,413**	2,224
Selling and distribution expenses		**(710,007)**	(650,137)
Administrative expenses		**(110,791)**	(106,639)
Other expenses		**(8,606)**	(5,157)
Finance costs	*7*	**(347)**	(789)
PROFIT BEFORE TAX	*6*	**149,429**	149,085
Income tax expense	*8*	**(20,062)**	(23,966)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**129,367**	125,119
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Currency translation differences		**59**	779
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**129,426**	125,898
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	*10*		
Basic		**HK35.4 cents**	HK34.6 cents
Diluted		**HK35.4 cents**	HK34.6 cents

Details of the dividends payable and proposed for the year are disclosed in Note 9 below.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**201,610**	145,309
Intangible assets		**931**	1,203
Rental, utility and other non-current deposits		**90,390**	80,273
Deferred tax assets		**27,788**	23,886
Total non-current assets		**320,719**	250,671
CURRENT ASSETS			
Inventories		**251,346**	268,427
Trade receivables	*11*	**56,332**	41,482
Prepayments, deposits and other receivables		**34,888**	26,769
Tax recoverable		**5,803**	4,967
Cash and bank balances		**256,818**	260,221
Total current assets		**605,187**	601,866
CURRENT LIABILITIES			
Trade payables	*12*	**35,398**	38,754
Other payables and accruals		**85,776**	106,942
Interest-bearing bank borrowing	*13*	**19,678**	–
Tax payable		**9,295**	9,174
Total current liabilities		**150,147**	154,870
NET CURRENT ASSETS		**455,040**	446,996
TOTAL ASSETS LESS CURRENT LIABILITIES		**775,759**	697,667
NON-CURRENT LIABILITY			
Deferred tax liabilities		**6,804**	6,288
NET ASSETS		**768,955**	691,379
EQUITY			
Equity attributable to equity holders of the parent			
Share capital		**36,721**	36,481
Reserves		**682,661**	603,825
Proposed dividend	*9*	**49,573**	51,073
TOTAL EQUITY		**768,955**	691,379

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 which, because the Company has not early adopted the revised Listing Rules issued by the Hong Kong Stock Exchange, are those of the predecessor Hong Kong Companies Ordinance (Cap. 32). 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 2015. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

The adoption of the revised standards and new interpretation 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 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendment to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units that offer products to customers located in different geographical areas and has four reportable operating segments as follows:

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs and unallocated expenses are excluded from 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, an interest-bearing bank borrowing, tax payable and other 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 2015					
Segment revenue:					
Sales to external customers	**1,129,196**	**132,529**	**313,447**	**16,645**	**1,591,817**
Intersegment sales	**9,679**	**7,109**	**133,387**	**1,028**	**151,203**
	1,138,875	**139,638**	**446,834**	**17,673**	**1,743,020**
Reconciliation:					
Elimination of intersegment sales					**(151,203)**
Revenue					**1,591,817**
Segment results:	**185,814**	**2,533**	**15,451**	**4,342**	**208,140**
Reconciliation:					
Interest income					**382**
Finance costs					**(347)**
Unallocated expenses					**(58,746)**
Profit before tax					**149,429**
Segment assets:	**341,983**	**156,171**	**152,571**	**4,999**	**655,724**
Reconciliation:					
Deferred tax assets					**27,788**
Tax recoverable					**5,803**
Unallocated assets					**236,591**
Total assets					**925,906**
Segment liabilities:	**71,511**	**27,732**	**9,723**	**803**	**109,769**
Reconciliation:					
Deferred tax liabilities					**6,804**
Interest-bearing bank borrowing					**19,678**
Tax payable					**9,295**
Unallocated liabilities					**11,405**
Total liabilities					**156,951**
Other segment information:					
Capital expenditure*	**23,846**	**6,783**	**16,005**	**23**	**46,657**
Unallocated capital expenditure*					**58,099**
					104,756
Depreciation	**21,204**	**5,334**	**9,021**	**–**	**35,559**
Amortisation of intangible assets	**70**	**33**	**41**	**153**	**297**
Unallocated depreciation					**5,753**
					41,609
Loss on disposal of items of property, plant and equipment, net	**2,079**	**286**	**142**	**–**	**2,507**
Unallocated loss on disposal of items of property, plant and equipment, net					**224**
					2,731
Write-off of rental deposits	**–**	**1**	**–**	**–**	**1**
Provision for doubtful debts and write-off of bad debts	**552**	**–**	**–**	**324**	**876**
Impairment of items of property, plant and equipment	**3,303**	**680**	**–**	**–**	**3,983**

* 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 2014					
Segment revenue:					
Sales to external customers	1,001,829	135,096	270,858	19,330	1,427,113
Intersegment sales	6,846	4,947	130,802	2,174	144,769
	1,008,675	140,043	401,660	21,504	1,571,882
Reconciliation:					
Elimination of intersegment sales					(144,769)
Revenue					1,427,113
Segment results:	191,015	(4,335)	7,629	4,834	199,143
Reconciliation:					
Interest income					346
Finance costs					(789)
Unallocated expenses					(49,615)
Profit before tax					149,085
Segment assets:	379,673	119,227	118,593	6,721	624,214
Reconciliation:					
Deferred tax assets					23,886
Tax recoverable					4,967
Unallocated assets					199,470
Total assets					852,537
Segment liabilities:	95,687	25,213	11,396	697	132,993
Reconciliation:					
Deferred tax liabilities					6,288
Tax payable					9,174
Unallocated liabilities					12,703
Total liabilities					161,158
Other segment information:					
Capital expenditure*	40,702	3,973	10,090	65	54,830
Unallocated capital expenditure*					2,303
					57,133
Depreciation	17,743	5,430	6,252	–	29,425
Amortisation of intangible assets	65	35	42	166	308
Unallocated depreciation					5,957
					35,690
Loss on disposal of items of property, plant and equipment, net	1,507	334	283	–	2,124
Unallocated loss on disposal of items of property, plant and equipment, net					557
					2,681
Write-off of rental deposits	–	1,317	–	–	1,317
Provision for doubtful debts and write-off of bad debts	–	15	–	8	23
Impairment of items of property, plant and equipment	427	–	–	–	427

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

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

Non-current assets

	Group	
	2015	2014
	HK$'000	*HK$'000*
Hong Kong and Macau	**117,001**	108,815
Mainland China	**14,573**	16,077
Taiwan	**19,559**	14,500
Elsewhere	**551**	678
	151,684	140,070

The non-current asset information above is based on the locations of the assets and excludes 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 amounted to 10% or more of the Group's revenue during the year, no major customer information is presented.

5. REVENUE, OTHER INCOME AND GAIN

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 gain is as follows:

	Group	
	2015	2014
	HK$'000	*HK$'000*
Revenue		
Sale of garment products and accessories	**1,591,817**	1,427,113
Other income		
Bank interest income	**382**	346
Forfeiture of franchise deposits	**3,633**	–
Others	**1,989**	1,878
	6,004	2,224
Gain		
Foreign exchange differences, net	**4,409**	–
	10,413	2,224

6. PROFIT BEFORE TAX

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

	Group	
	2015	2014
	HK$'000	*HK$'000*
Cost of inventories sold	**639,748**	526,589
Depreciation	**41,312**	35,382
Write-back of provision for slow-moving inventories, net, included in cost of sales	**(16,698)**	(9,059)
Rental expenses under operating leases in respect of land and buildings:		
Minimum lease payments	**252,737**	235,398
Contingent rents	**91,525**	87,646
	344,262	323,044
Rental expenses under operating leases in respect of equipment:		
Minimum lease payments	**613**	617
Contingent rents	**53**	15
	666	632
Auditors' remuneration	**2,226**	2,119
Employee benefit expenses (including executive directors' remuneration):		
Wages, salaries and other benefits	**228,722**	209,501
Equity-settled share option expense	**326**	1,047
Pension scheme contributions*	**10,920**	10,714
	239,968	221,262
Loss on disposal of items of property, plant and equipment, net	**2,731**	2,681
Amortisation of intangible assets	**297**	308
Write-off of rental deposits	**1**	1,317
Disposal of trademarks	**32**	58
Provision for doubtful debts	**510**	7
Write-off of bad debts	**366**	16
Foreign exchange differences, net	**–**	20
Impairment of items of property, plant and equipment	**3,983**	427

* 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 (2014: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2015	2014
	HK$'000	*HK$'000*
Interest on bank loans	**347**	789

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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 (2014: five) subsidiaries located in Mainland China. All of these subsidiaries were subject to the applicable CIT rate of 25% (2014: 25%) during the year ended 31 March 2015.

For the subsidiaries in Macau, one of them (2014: 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.

The Taiwan subsidiary was subject to the applicable tax rate of 17% (2014: 17%) during the year ended 31 March 2015.

	Group	
	2015	2014
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Provision for the year	**18,187**	19,903
Underprovision/(overprovision) in prior years	**52**	(1,102)
Current tax – PRC		
Provision for the year	**428**	2,124
Underprovision in prior years	**881**	–
Current tax – Elsewhere		
Provision for the year	**4,012**	3,434
Underprovision/(overprovision) in prior years	**(22)**	447
Deferred tax credit	**(3,476)**	(840)
Total tax charge for the year	**20,062**	23,966

9. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Interim – HK1.5 cents (2014: HK1.5 cents) per ordinary share	**5,495**	5,437
Proposed final – HK13.5 cents (2014: HK14.0 cents) per ordinary share	**49,573**	51,073
	55,068	56,510

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$129,367,000 (2014: HK$125,119,000) and the weighted average number of ordinary shares of 365,386,255 (2014: 361,216,731) in issue during the year.

The calculation of the diluted earnings per share amount 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.

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

	2015	2014
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity holders of the parent, used in the basic earnings per share calculation	**129,367**	125,119
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**365,386,255**	361,216,731
Effect of dilution – weighted average number of ordinary shares: Share options	**498,279**	321,270
	365,884,534	361,538,001

11. TRADE RECEIVABLES

	Group	
	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**56,849**	41,489
Impairment	**(517)**	(7)
	56,332	41,482

Retail sales (both online and offline) 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	
	2015	2014
	HK$'000	*HK$'000*
Within 90 days	**56,074**	40,269
91 to 180 days	**115**	155
181 to 365 days	**88**	851
Over 365 days	**55**	207
	56,332	41,482

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	
	2015	2014
	HK$'000	*HK$'000*
Within 90 days	**33,821**	36,887
91 to 180 days	**665**	1,656
181 to 365 days	**890**	173
Over 365 days	**22**	38
	35,398	38,754

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

13. INTEREST-BEARING BANK BORROWING

Group	**2015** Effective interest rate (%)	Maturity	HK$'000	2014 Effective interest rate (%)	Maturity	HK$'000
Current – secured						
Bank loan repayable on demand	**2-3**	**2018**	**19,678**	–	–	–

	2015 *HK$'000*	2014 *HK$'000*
Analysed into bank loan repayable:*		
Within one year or on demand	**6,933**	–
In the second year	**6,933**	–
In the third to fifth years, inclusive	**5,812**	–
	19,678	–

* 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 borrowing as at 31 March 2015 and 31 March 2014.

Notes:

(a) The Group's general banking facilities and loans are secured by:

(i) the Group's buildings situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of approximately HK$119,806,000 (2014: HK$64,752,000); and

(ii) corporate guarantees given by the Company and a subsidiary of the Group of HK$100,240,000 and HK$50,000,000, respectively (2014: HK$100,240,000 and HK$30,000,000).

(b) All borrowings are in Hong Kong dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has successfully managed to expand its business at a healthy pace through a focus on both organic growth in sales of the existing retail portfolio as well as fostering new business development. Encouragingly, the Group again recorded a record-high annual turnover this year for the tenth consecutive year since its listing in 2005, reaching about HK$1,591.8 million (2014: HK$1,427.1 million). Also, the Group's net profit for the year ended 31 March 2015 increased slightly by about 3.4% to approximately HK$129.4 million (2014: HK$125.1 million).

Market conditions were challenging during the year under review. As a result of a slowdown of growth in Mainland China's economy and volatile retail sentiment in the regions where the Group operates, the momentum of sales growth, particularly in Hong Kong, has obviously weakened since the fourth quarter of 2014. Although the increment in market rentals and other major operating costs started to moderate in 2015, they remained high during the year under review, placing business risks on retailers.

The Group closely monitors market trends as it is critical to remain both operationally and financially flexible to promptly counter potentially enduring market uncertainties. At the same time, the Group has not only continued to invest in brand building and marketing efforts to fuel sales growth, but also has gradually restructured procurement workflow to shorten the inventory cycle. In addition, extensive efforts were made to accelerate clearance of aged and slow-moving inventories particularly in the second half of the financial year under review even though these efforts trimmed the gross margin to some extent in the short term. The overall stock turnover period had been greatly reduced from 186 days in the previous financial year to 152 days for the year ended 31 March 2015. Meanwhile, the Group remained strong on working capital position with greater financial flexibility to cope with potentially adverse market challenges in the coming year and at the same time has strived to foster development of new business to assure growth sustainability in the future.

As at 31 March 2015, the Group had a total of 222 shops in operation (2014: 214).

	As at 31 March 2015	As at 31 March 2014	Change
Self-managed outlets			
Hong Kong & Macau	**83**	84	–1
Taiwan	**95**	87	+8
Mainland China	**31**	26	+5
	209	197	+12
Franchised outlets			
Mainland China	**13**	17	–4
TOTAL	**222**	214	+8

Hong Kong and Macau

The Hong Kong and Macau retail operation was the largest geographical operating segment of the Group, which accounted for about 70.9% of the Group's turnover (2014: 70.2%). Sales from the region were approximately HK$1,129.2 million during the year under review (2014: HK$1,001.8 million), representing double-digit growth of about 12.7%. The increase was mainly brought about by a strong same-store-sales growth rate of about 11% during the year under review, thanks to a series of successful marketing activities and effective operational measures. During the year under review, the Group continued to substantially invest in television advertising programmes and related marketing campaigns to promote key product categories, especially the "SALAD" branded handbags and wallets as well as a collection of "BAUHAUS" leather jackets. The Group has also maintained an optimum operating scale with stringent cost control measures in place. The Group has kept up with the latest developments by gradually renovating its existing shop design and decor in a more lively, trendy and attractive style, relocating shops to prime shopping locations with more cost-effective rental arrangements and enriching its shop and brand portfolio in order to remain competitive in the retail market.

The operating environment in the region, however, was difficult during the year under review. The retail sentiment in both Hong Kong and Macau has gradually weakened, a trend particularly obvious since the fourth quarter of 2014. Probably a combination of adverse factors, such as a slowdown of growth in Mainland China's economy and Mainland China's anti-corruption campaign leading to a spending contraction by visitors to Hong Kong and Macau has depressed the performance of retailers in general. In addition, the "Occupy Movement" and related protest activities starting in late September 2014 over more than two months disrupted business operations at the Group's retail shops in areas near the protests. Although, the direct financial impact on the Group's operations as a whole was not material, the recovery of local retail sentiment was sluggish during the critical retail sales season from the Christmas season to the Chinese New Year. The Group had to sacrifice gross margins to maintain sales momentum and to accelerate stock clearance. Due to the depressed consumer sentiment together with surging operating costs, particularly rentals, the segment profit in the region dropped slightly to about HK$185.8 million (2014: HK$191.0 million).

Mainland China

As at 31 March 2015, the Group operated its self-managed retail shops in Beijing, Shanghai, Guangzhou, Nanjing and Suzhou and maintained a streamlined franchise network focusing on second-tier cities in Mainland China. The Group had 31 self-managed retail stores in the region (2014: 26), of which more than half were renovated as "SALAD" specialty stores. In addition, the Group has focused on selecting more capable franchisees with greater growth potential. As at the end of the reporting period, the Group had 13 franchised shops (2014: 17).

Turnover from the Mainland China segment dropped slightly by about 1.9% to about HK$132.5 million (2014: HK$135.1 million). However, after a series of restructuring exercises in previous years, the segment eventually returned to profit and recorded a segment profit before tax of about HK$2.5 million for the year ended 31 March 2015 (2014: loss of HK$4.3 million). The same-stores-sales growth for the year under review was considered satisfactory at about 4%. Though the impact from the Mainland China segment on the Group's overall results has become less significant after the downsizing measures, the Group's priority remains the improvement of its profitability and operational effectiveness in the near future.

Taiwan

In Taiwan, because of the prolonged stagnant retail consumption and weak consumer sentiment, the overall performance of the local retail market was just fair during the year under review. Thanks to the professional retail management team, the Group has proactively managed its retail networks on the island and effectively upgraded its shop and brand mix to adjust to the challenging market trends. Although attractive promotional offerings were required to boost sales, these activities also speeded up the stock turnover rate and helped to greatly reduce the aged and slow-moving inventory level. These precision tactics not only supported the segment to achieve a positive same-store-sales growth rate of about 5% during the year under review, but also enabled the Group to acquire greater market share via a network expansion in Taiwan to 95 shops as at the end of the reporting period (2014: 87). As a result, the Group recorded a remarkable increase in the segmental turnover of about 15.7% to about HK$313.5 million (2014: HK$270.9 million). More encouragingly, the region's segment profit before tax for the year under review surged by about 103.9% to about HK$15.5 million (2014: HK$7.6 million).

Elsewhere

The Group has extended its business coverage through setting up wholesale operations to several countries, with a particular focus on Asia. The turnover from the segment dropped by about 14.0% to about HK$16.6 million (2014: HK$19.3 million) mainly due to the decrease in sales to the Japanese market. The sales demand from the Group's Japanese customers declined as a result of the depreciation of the Japanese Yen against the United States dollar as compared to the same period last year. The Group has maintained a comparable scale in its wholesale operations to last year in order to address the demand from existing customers.

FINANCIAL REVIEW

Turnover

The aggregate turnover of the Group rose by approximately 11.5% to around HK$1,591.8 million for the year ended 31 March 2015 (2014: HK$1,427.1 million). The major components of the Group's turnover by business were as follows:

	Year ended 31 March 2015 *HK$ million*	**Year ended 31 March 2014** *HK$ million*	**Change**
Retail – Offline	**1,547.3**	1,387.9	+11.5%
Retail – Online	**9.3**	1.0	+830.0%
Franchise	**17.6**	18.6	–5.4%
Wholesales and others	**17.6**	19.6	–10.2%
TOTAL	**1,591.8**	1,427.1	+11.5%

As indicated above, the traditional offline retail business was the largest sales contributor, accounting for approximately 97.2% (2014: 97.2%) of total turnover and achieving a year-on-year growth of about 11.5%. The turnover of Group's newly developed multi-channel online retail business, which is considered as a potential growth engine of the Group's sales, grew rapidly from about HK$1.0 million to about HK$9.3 million (or an increase of about 830%) for the year under review.

Operating Segment Information

Detailed information of the Group's turnover and its contribution to profit before tax by segment is shown in Note 4 above.

Gross Profit

The Group's gross profit increased to approximately HK$968.8 million for the year ended 31 March 2015 (2014: HK$909.6 million) while gross margin narrowed to around 60.9% (2014: 63.7%). Owing to the stagnant retail sentiment in various regions the Group operated, the Group provided attractive sales promotions to customers and organised sizable bargain sales campaigns to speed up the stock turnover rate and to reduce excessive inventories.

Operating Expenses

Operating expenses increased by about 8.9% to approximately HK$829.4 million (2014: HK$761.9 million) during the year ended 31 March 2015, equivalent to roughly 52.1% of total turnover (2014: 53.4%). Rent for land and buildings was about HK$344.3 million (2014: HK$323.0 million), which accounted for about 21.6% (2014: 22.6%) of the Group's turnover and equivalent to about 41.5% (2014: 42.4%) of the Group's total expenses during the year under review. Actually, the market rentals continued to surge during the year under review, but the increment became more mild in 2015. Besides, since the Group dedicated to improve the growth rate of the existing shops, strategically relocated shops to other prime shopping areas commanding lower rents and consolidated shops in nearby locations, the respective rent-to-sales ratio was further enhanced.

Staff cost increased by about 8.5% to approximately HK$240.0 million (2014: HK$221.3 million) during the year ended 31 March 2015. Staff cost-to-sales ratio was further reduced to about 15.1% (2014: 15.5%). The inflationary operating environment and shortage of experienced front-line sales staff actually led to a surge in average staff cost. To confront with the challenges, the Group strengthened the internal sales growth of the existing retail portfolio and through effective use of incentive systems to motivate sales staff and to improve productivity. The Group successfully moderated the staff cost increment and lowered the staff cost-to-sales ratio for the year under review.

Depreciation charges increased to approximately HK$41.3 million (2014: HK$35.4 million) for the year under review. Marketing and advertising expenses, representing about 3.8% (2014: 3.9%) of the Group's turnover, increased by about 9.0% to approximately HK$60.7 million for the year ended 31 March 2015 (2014: HK$55.7 million). The Group put many marketing efforts (including television advertising programmes) on key product categories and in-house brands with the highest growth prospects.

Finance Costs

The Group incurred finance costs of about HK$0.3 million (2014: HK$0.8 million) during the year under review, which represented interest expenses paid for bank borrowings and a mortgage loan to acquire a property situated in Hong Kong during the year under review.

Net Profit

The Group's net profit attributable to equity holders increased slightly by about 3.4% to approximately HK$129.4 million for the year ended 31 March 2015 (2014: HK$125.1 million). Net profit margin, however, dropped slightly from about 8.8% to about 8.1%.

SEASONALITY

Based on the Group's track record, its sales and results are greatly affected by seasonality. In general, over 50% of the Group's annual sales and most of its net profit are derived in the second-half of the financial year, particularly during the period from the Christmas season to the Lunar New Year.

CAPITAL STRUCTURE

As at 31 March 2015, the Group had net assets of approximately HK$768.9 million (2014: HK$691.4 million), comprising non-current assets of approximately HK$320.7 million (2014: HK$250.7 million), net current assets of approximately HK$455.0 million (2014: HK$447.0 million) and non-current liability of approximately HK$6.8 million (2014: HK$6.3 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2015, the Group had cash and bank balances of about HK$256.8 million (2014: HK$260.2 million). At the end of the reporting period, the Group had aggregate banking facilities of about HK$164.5 million (2014: HK$134.9 million) comprising interest-bearing bank overdraft, revolving loans, rental and utility guarantees as well as import facilities, of which about HK$134.6 million had not been utilised. In particular, the Group had a bank borrowing of about HK$19.7 million as at 31 March 2015 (2014: Nil), which was in Hong Kong dollars repayable within three years and bearing interest at variable rates from about 2% to 3% per annum (2014: Nil). The Group's gearing ratio at the end of the reporting period, representing a percentage of total interest-bearing bank borrowing to total assets, was about 2.1% (2014: Nil).

CASH FLOWS

For the year ended 31 March 2015, net cash flows from operating activities decreased to approximately HK$133.3 million (2014: HK$192.8 million), which was mainly attributed to an increase in trade receivables and deposits and a decrease in other payables. Resulting from the acquisition of a property situated in Hong Kong amounted to about HK$56.7 million during the year ended 31 March 2015, the Group's net cash flows used in investing activities increased significantly to about HK$104.6 million (2014: HK$57.0 million) during the year under review. Net cash flows used in financing activities during the year under review decreased to approximately HK$32.5 million (2014: HK$74.2 million). It was mainly because the Group repaid all the bank borrowings during the year ended 31 March 2014 while the Group obtained new bank borrowings to finance a property acquisition during the year under review.

SECURITY

As at 31 March 2015, the Group's general banking facilities and bank borrowing were secured by certain of its leasehold land and buildings with aggregate carrying value of approximately HK$119.8 million (2014: HK$64.8 million) and cross guarantees from the Company and certain subsidiaries of the Group.

CAPITAL COMMITMENT

As at 31 March 2015, both the Group and the Company had no material capital commitments (2014: Nil).

CONTINGENT LIABILITIES

As at 31 March 2015, the Group had contingent liabilities in respect of bank guarantees given in lieu of utility and property rental deposits amounting to approximately HK$5.2 million (2014: HK$7.6 million). In addition, at the end of the reporting period, the general banking facilities granted to certain subsidiaries subject to guarantees given to banks by the Company of about HK$100.2 million (2014: HK$100.2 million) were utilised to the extent of about HK$29.9 million (2014: HK$15.5 million).

HUMAN RESOURCES

Including the Directors, the Group had 1,318 (2014: 1,363) employees as at 31 March 2015. 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 their external training programmes.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's sales and purchases during the year were mostly denominated in Hong Kong dollars, New Taiwan dollars, Renminbi 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

The upcoming financial year is expected to remain challenging as market players will continue to be confronted with a variety of obstacles, including high rent, slowing economic growth in China and uncertain retail sentiment. Moreover, the changing macroeconomic environment and resultant after-effects, such as depreciation of various currencies, will continue to influence consumption habits.

In the face of such challenges, the Group remains highly attentive to changes in the retail market, leveraging its unique position and well-diversified brand portfolio. Furthermore, the management is constantly exploring new opportunities as part of a holistic approach towards achieving strategic progress, rather than simply focusing on tackling current issues.

As for the Hong Kong and Macau markets, the management maintains a conservative outlook towards the two regions given the ongoing high rental pressure and lacklustre consumption sentiment. Nonetheless, the Group is continuing to closely examine locations in prime areas, including shopping malls where stores can be opened while meeting the key criteria of affordability and maintaining appropriate brand exposure.

In China, market conditions are expected to be similarly challenging as economic growth will be relatively slow. The management continues to closely monitor market developments and formulate prudent plans for achieving further steps forward. Towards this end, the Group is introducing marketing campaigns after careful analysis of specific market conditions.

Across the Taiwan, the Group is equally committed to enhancing its market presence. Towards this goal, the management continues to focus on raising efficiency and managing costs. At the same time, the Group is actively exploring brand licensing opportunities in order to better penetrate the local market, given the difficult operating environment.

Aside from expanding its physical stores, the Group will proactively explore new distribution channels, in particular online platforms, so as to broaden sales routes, extend marketing reach and diversify revenue streams, as well as take advantage of global trends. Correspondingly, the Group has engaged in cooperation with Tmall.com and HKTV. In order to increase patronage of the online platforms, products exclusive to this channel will be offered while retail outlets display these products to further stimulate interest. Moreover, the Group's corporate website will serve as a medium for enhancing the online shopping experience. The management will remain fully committed to leveraging e-commerce, and will progressively invest more energy and resources in this area of business as it becomes an integral part of the Group's overall operation in the long run.

In respect to its licensed brands, the Group continues to direct investments towards creating a broader brand mix. The benefits of such an approach are manifold, including further enhancing its differentiated market position as a trendy fashion leader across the region and helping to sustain the Group's long-term competitiveness. The "SUPERDRY" brand is a clear example of effective licensing, having enjoyed a strong performance since its launch and subsequent operation. The management will look to replicate the achievement by securing other high-potential labels.

Though the past year has been a challenging period for the Group, the management remains optimistic about the new financial year ahead. While continuing to capitalise on the Group's core strengths to bolster its market position, the management at the same time is exploring new avenues to develop the Group's business. In addition, the Group is seeking to enhance efficiency by streamlining workflow processes; adopting a more cautious approach towards inventory restocking; and tighter control of advertising and promotional expenses, among other initiatives. Also, while prudently planning the opening new stores, the Group is also closing stores that underperform. Through such efforts, the Group can reinforce the foundation on which Bauhaus can achieve sustained long-term growth as well as attain a leading position in the fashion industry.

DIVIDEND

An interim dividend of HK1.5 cents per ordinary share for the six months ended 30 September 2014 (2013: HK1.5 cents) was paid on 23 January 2015.

The Directors recommended the payment of a final dividend of **HK13.5 cents** (2014: HK14.0 cents) per ordinary share for the year ended 31 March 2015. Subject to the approval by shareholders at the forthcoming annual general meeting of the Company ("**AGM**"), the proposed final dividend will be payable on or before **Friday, 25 September 2015** to shareholders whose names appear on the register of members on **Thursday, 10 September 2015**.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM is scheduled on Thursday, 27 August 2015. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 25 August 2015 to Thursday, 27 August 2015, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 24 August 2015.

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 scheduled on Thursday, 10 September 2015. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 8 September 2015 to Thursday, 10 September 2015, 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 registrar in Hong Kong, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Monday, 7 September 2015.

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 2015 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 the 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 2015.

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 2015.

REVIEW OF FINANCIAL INFORMATION

An audit committee of the Company (the "**Audit Committee**") with written terms of reference comprises three independent non-executive directors. 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 2015.

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 March 2015 have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year under review. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

PUBLICATION OF THE FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The final results announcement for the year ended 31 March 2015 is published on the websites of the Company (www.bauhaus.com.hk) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The Company's 2014/15 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, 24 June 2015

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.