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 2018

- ➢ Turnover of the Group increased by about 6.2% to approximately HK$1,387.5 million (2017: HK$1,305.9 million).

- ➢ Sales by major operating segment are as follows:

	Year ended 31 March 2018 *HK$ million*	Year ended 31 March 2017 *HK$ million*	Changes
Hong Kong and Macau	**912.7**	838.4	+8.9%
Taiwan	**339.5**	340.6	–0.3%
Mainland China	**135.1**	123.3	+9.6%
Elsewhere	**0.2**	3.6	–94.4%

- ➢ Gross profit increased by about 3.2% to approximately HK$843.8 million (2017: HK$817.9 million), while gross margin reduced to about 60.8% (2017: 62.6%).

- ➢ Net profit declined to approximately HK$40.6 million (2017: HK$64.9 million) and net margin dropped to about 2.9% (2017: 5.0%).

- ➢ Basic and diluted earnings per share decreased to about HK11.1 cents (2017: HK17.7 cents).

- ➢ A final dividend of HK7.5 cents (2017: HK7.5 cents) per ordinary share was proposed.

- ➢ Dividend payout ratio was about 67.9% of the net profit (2017: 42.5%).

The Board of Directors (the "**Directors**" or "**Board**") 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 2018, prepared on the basis set out in Note 2 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 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	5	**1,387,524**	1,305,880
Cost of sales		**(543,716)**	(488,005)
GROSS PROFIT		**843,808**	817,875
Other income and gains	5	**3,231**	10,913
Gain on deregistration of subsidiaries		**–**	8,111
Selling and distribution expenses		**(667,702)**	(645,646)
Administrative expenses		**(116,797)**	(105,643)
Other expenses		**(5,293)**	(11,274)
Finance costs	7	**(437)**	(226)
PROFIT BEFORE TAX	6	**56,810**	74,110
Income tax expense	8	**(16,207)**	(9,233)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**40,603**	64,877
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**8,242**	(8,210)
Reclassification adjustments for foreign operations deregistered		**–**	(8,111)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**8,242**	(16,321)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**48,845**	48,556
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	10		
Basic and diluted		**HK11.1 cents**	HK17.7 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**191,514**	188,713
Investment property		**19,000**	17,700
Intangible assets		**549**	693
Available-for-sale investments		**2,970**	–
Rental, utility and other non-current deposits		**85,767**	79,891
Deferred tax assets		**19,205**	25,099
Total non-current assets		**319,005**	312,096
CURRENT ASSETS			
Inventories		**318,879**	266,759
Trade receivables	*11*	**61,908**	41,488
Prepayments, deposits and other receivables		**54,121**	28,050
Tax recoverable		**814**	6,314
Cash and bank balances		**217,878**	290,436
Total current assets		**653,600**	633,047
CURRENT LIABILITIES			
Trade payables	*12*	**35,461**	31,807
Other payables and accruals		**90,219**	86,460
Interest-bearing bank borrowing	*13*	**–**	5,922
Tax payable		**7,887**	5,259
Total current liabilities		**133,567**	129,448
NET CURRENT ASSETS		**520,033**	503,599
TOTAL ASSETS LESS CURRENT LIABILITIES		**839,038**	815,695
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**7,150**	5,098
NET ASSETS		**831,888**	810,597
EQUITY			
Equity attributable to equity holders of the parent			
Share capital		**36,738**	36,738
Reserves		**795,150**	773,859
TOTAL EQUITY		**831,888**	810,597

1. CORPORATE INFORMATION

Bauhaus International (Holdings) Limited is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at Room 501, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong.

During the year, the Group was principally engaged in the design and retail of trendy apparel, bags and fashion accessories.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Huge Treasure Investments (PTC) Limited, which is incorporated in the British Virgin Islands.

2. 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, except for an investment property which has been measured at fair value. 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 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

2. BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

3.2 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.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 19	*Plan Amendments, Curtailment or Settlement*[2]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

1 Effective for the Group for annual periods beginning on or after 1 April 2018
2 Effective for the Group for annual periods beginning on or after 1 April 2019
3 Effective for the Group for annual periods beginning on or after 1 April 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group and have significant impact to the Group's financial position and/or results of operations is described below.

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The Group expects to adopt HKFRS 16 from 1 April 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. At 31 March 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$456,040,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new right-of-use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units that offer products to customers located in different geographical areas. In determining the Group's reportable operating segments, revenues, results, assets and liabilities attributable to the segments are based on the location of the customers. The Group has four reportable operating segments as follows:

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), 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, fair value gain on an investment property, gain on deregistration of subsidiaries and unallocated expenses are excluded from this measurement.

Segment assets exclude an investment property, available-for-sale investments, 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 corporate liabilities as these liabilities are managed on a group basis.

Segment non-current assets exclude an investment property, available-for-sale investments, deferred tax assets and other unallocated corporate non-current assets as these assets are managed on a group basis.

Intersegment sales 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$'000*	Taiwan *HK$'000*	Mainland China *HK$'000*	Elsewhere *HK$'000*	Total *HK$'000*
Year ended 31 March 2018					
Segment revenue:					
Sales to external customers	912,743	339,532	135,075	174	1,387,524
Intersegment sales	7,991	160,270	–	–	168,261
	920,734	499,802	135,075	174	1,555,785
Reconciliation:					
Elimination of intersegment sales					(168,261)
Revenue					1,387,524
Segment results:	118,914	(3,108)	(2,305)	(50)	113,451
Reconciliation:					
Interest income					250
Finance costs					(437)
Fair value gain on an investment property					1,300
Unallocated expenses, net					(57,754)
Profit before tax					56,810
Segment assets:	349,969	219,350	131,761	266	701,346
Reconciliation:					
Investment property					19,000
Available-for-sale investments					2,970
Deferred tax assets					19,205
Tax recoverable					814
Unallocated assets					229,270
Total assets					972,605
Segment liabilities:	91,176	9,818	9,667	1	110,662
Reconciliation:					
Deferred tax liabilities					7,150
Tax payable					7,887
Unallocated liabilities					15,018
Total liabilities					140,717
Other segment information:					
Capital expenditure*	19,323	18,346	6,599	–	44,268
Unallocated capital expenditure*					3,453
					47,721
Depreciation	19,933	12,569	3,433	–	35,935
Amortisation of intangible assets	41	37	36	56	170
Unallocated depreciation					5,847
					41,952
Loss on disposal of items of property, plant and equipment, net	2,365	671	108	–	3,144
Unallocated gain on disposal of items of property, plant and equipment, net					(149)
					2,995
Write-off of deposits	444	–	–	–	444
Provision for doubtful debts and write-off of bad debts	–	–	2	–	2
Impairment of items of property, plant and equipment	90	–	–	–	90

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Hong Kong and Macau *HK$'000*	Taiwan *HK$'000*	Mainland China *HK$'000*	Elsewhere *HK$'000*	Total *HK$'000*
Year ended 31 March 2017					
Segment revenue:					
Sales to external customers	838,392	340,592	123,313	3,583	1,305,880
Intersegment sales	51,937	159,384	–	–	211,321
	890,329	499,976	123,313	3,583	1,517,201
Reconciliation:					
Elimination of intersegment sales					(211,321)
Revenue					1,305,880
Segment results:	82,936	24,162	3,849	196	111,143
Reconciliation:					
Interest income					323
Finance costs					(226)
Fair value gain on an investment property					1,700
Gain on deregistration of subsidiaries					8,111
Unallocated expenses, net					(46,941)
Profit before tax					74,110
Segment assets:	321,114	186,045	125,686	1,784	634,629
Reconciliation:					
Investment property					17,700
Deferred tax assets					25,099
Tax recoverable					6,314
Unallocated assets					261,401
Total assets					945,143
Segment liabilities:	86,711	10,182	11,529	348	108,770
Reconciliation:					
Deferred tax liabilities					5,098
Interest-bearing bank borrowing					5,922
Tax payable					5,259
Unallocated liabilities					9,497
Total liabilities					134,546
Other segment information:					
Capital expenditure*	27,428	7,530	1,377	48	36,383
Unallocated capital expenditure*					5,832
					42,215
Depreciation	21,019	9,768	3,148	–	33,935
Amortisation of intangible assets	47	38	35	88	208
Unallocated depreciation					6,454
					40,597
Loss on disposal of items of property, plant and equipment, net	1,700	107	327	–	2,134
Unallocated gain on disposal of items of property, plant and equipment, net					(5,313)
					(3,179)
Write-off of deposits	3,389	–	117	–	3,506
Provision for doubtful debts and write-off of bad debts	–	–	337	1	338
Impairment of items of property, plant and equipment	4,488	2,756	89	–	7,333

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

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

Geographical information

Non-current assets

	2018	2017
	HK$'000	*HK$'000*
Hong Kong and Macau	**109,651**	110,066
Taiwan	**21,168**	15,728
Mainland China	**15,500**	9,432
Elsewhere	**266**	324
	146,585	135,550

Information about major customers

Since there was no customer to which the Group's sales amounted 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 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:

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Sale of garment products and accessories	**1,387,524**	1,305,880
Other income		
Bank interest income	**250**	323
Rental income	**361**	503
Forfeiture of franchise deposits	**–**	791
Others	**1,320**	867
	1,931	2,484
Gains		
Foreign exchange differences, net	**–**	3,550
Fair value gain on an investment property	**1,300**	1,700
Gain on disposal of items of property, plant and equipment, net	**–**	3,179
	1,300	8,429
	3,231	10,913

6. PROFIT BEFORE TAX

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

	2018 *HK$'000*	2017 *HK$'000*
Cost of inventories sold*	**541,120**	477,089
Depreciation	**41,782**	40,389
Provision for inventories, net*	**2,596**	10,916
Minimum lease payments under operating leases	**225,575**	238,892
Contingent rents under operating leases	**81,160**	79,948
Auditor's remuneration	**2,240**	2,161
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and other benefits	**224,650**	207,458
Pension scheme contributions**	**12,710**	10,795
	237,360	218,253
Loss/(gain) on disposal of items of property, plant and equipment, net	**2,995**	(3,179)
Gain on deregistration of subsidiaries	**–**	(8,111)
Amortisation of intangible assets	**170**	208
Write-off of deposits	**444**	3,506
Loss on disposal of trademarks	**5**	11
Provision for doubtful debts and write-off of bad debts	**2**	338
Fair value gain on an investment property	**(1,300)**	(1,700)
Impairment of items of property, plant and equipment	**90**	7,333
Foreign exchange losses/(gains), net	**1,428**	(3,550)
Direct operating expenses (including repairs and maintenance) arising from a rental-earning investment property	**61**	117

* Included in "cost of sales" on the face of the consolidated statement of profit or loss and other comprehensive income.

** 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 (2017: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 *HK$'000*	2017 *HK$'000*
Interest on bank loans	**437**	226

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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 corporate income tax ("**CIT**") of the People's Republic of China ("**PRC**") is applicable to subsidiaries located in Mainland China. All of these subsidiaries were subject to the applicable CIT rate of 25% (2017: 25%) during the year ended 31 March 2018.

For the subsidiaries in Macau, one of them (2017: 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% (2017: 17%) during the year ended 31 March 2018.

	2018	2017
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Provision for the year	**3,339**	2,177
Overprovision in prior years	**(211)**	(103)
Current tax – PRC		
Provision for the year	**1,575**	821
Overprovision in prior years	**–**	(280)
Current tax – Elsewhere		
Provision for the year	**3,418**	3,719
Overprovision in prior years	**(118)**	(28)
Deferred tax charge	**8,204**	2,927
Total tax charge for the year	**16,207**	9,233

9. DIVIDEND

	2018	2017
	HK$'000	*HK$'000*
Proposed final dividend – HK7.5 cents (2017: HK7.5 cents) per ordinary share	**27,554**	27,554

The proposed final dividend for the 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$40,603,000 (2017: HK$64,877,000) and the weighted average number of ordinary shares of 367,380,000 (2017: 367,380,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2018 and 2017.

The calculation of the basic earnings per share is based on:

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity holders of the parent, used in the basic earnings per share calculation	**40,603**	64,877
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**367,380,000**	367,380,000

11. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**61,929**	41,825
Impairment	**(21)**	(337)
	61,908	41,488

Sales (both online and offline) are made on cash terms or with short credit terms, except for certain well-established customers with a long business relationship with the Group, where the general credit terms are ranging from 30 days to 60 days. 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.

The ageing 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:

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**61,794**	41,210
91 to 180 days	**7**	276
181 to 365 days	**–**	2
Over 365 days	**107**	–
	61,908	41,488

12. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**33,239**	31,418
91 to 180 days	**1,984**	345
181 to 365 days	**207**	44
Over 365 days	**31**	–
	35,461	31,807

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

13. INTEREST-BEARING BANK BORROWING

	2018			2017		
	Effective interest rate	**Maturity**		Effective interest rate	Maturity	
	(%)		***HK$'000***	*(%)*		*HK$'000*
Current – secured						
Bank loan repayable on demand	–	–	–	2-3	2018	5,922
Analysed into bank loan repayable:						
Within one year or on demand			–			5,922

Notes:

(a) The Group's general banking facilities are secured by the Group's land and buildings situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of approximately HK$112,196,000 (2017: HK$114,733,000).

(b) In the prior year, the loan was in Hong Kong dollars.

14. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2018	2017
	HK$'000	*HK$'000*
Bank guarantees given in lieu of utility and property rental deposits	**4,058**	5,182

During the current and prior years, the Group early terminated certain leases for properties. Pursuant to the respective lease agreements, the Group might be required to compensate for losses or damages to the respective landlords subject to various conditions. As at the end of the reporting period, it is not practicable to estimate the related losses or damages as the outcome which could determine the compensation is not wholly within the control of the Group. In the opinion of the Directors, the likelihood of an outflow of resources embodying economic benefits by the Group is uncertain.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the design and retail of trendy apparel, bags and fashion accessories. It operates self-managed retail stores in Hong Kong, Macau, Taiwan and Mainland China and franchise outlets in Mainland China. The Group's turnover is mostly contributed by its major in-house labels like "SALAD", "TOUGH" and "80/20" as well as some reputable licensed brands including "SUPERDRY".

As at 31 March 2018, the Group had a total of 182 self-managed retail shops/counters in operation (2017: 196).

	As at 31 March 2018	As at 31 March 2017	Change
Number of self-managed shops/counters			
Hong Kong and Macau	**74**	80	–6
Taiwan	**82**	91	–9
Mainland China	**26**	25	+1
TOTAL	**182**	196	–14

The first half of financial year 2017/18 was still challenging for the Group while it observed increasing signs of recovery and improvement of consumption sentiments in retail sectors, particularly in the Hong Kong and Macau region, in the second half of the financial year under review. The Group recorded a turnaround in the overall same-store-sales growth from about –10% in the last financial year to about +3% for the year under review. Turnover of the Group increased by about 6.2%, to approximately HK$1,387.5 million for the year under review (2017: HK$1,305.9 million) despite the reduced total number of retail stores after retail network consolidation.

However, mainly owing to unsatisfactory performance in Taiwan and absence of certain material one-off gains which were recorded in the last financial year, net profit of the Group declined by about 37.4% to about HK$40.6 million (2017: HK$64.9 million). Its net margin also reduced to about 2.9% (2017: 5.0%). In spite of having to operate under the sway of complex market dynamics, the Group still managed to maintain highly flexible operations, strong liquidity and with no financial gearing, bracing it against market challenges. The Group is committed to managing a sustainable retail business focusing on achieving organic growth of its traditional retail networks and also fostering new prospective business platforms.

Hong Kong and Macau

The retail operations in Hong Kong and Macau make up the largest geographical operating segment of the Group. For the year ended 31 March 2018, the segment accounted for about 65.8% (2017: 64.2%) of the Group's total turnover. Although the retail sentiment was quite volatile during the year under review and the Group underwent consolidation in Hong Kong's retail network leading to a reduction in total number of stores, the growth momentum in sales from the region has gradually resumed since the second half of the financial year. The Group recorded a positive growth of about 8% in the region's same-store-sales and the turnover of the segment increased by about 8.9% to approximately HK$912.7 million (2017: HK$838.4 million). Encouragingly, the segmental profit also climbed drastically by about 43.4% to about HK$118.9 million (2017: HK$82.9 million) for the year ended 31 March 2018.

In the first half of the financial year, the Group materially completed the retail network consolidation exercise during recent years in Hong Kong to streamline its loss-making or under-performing offline retail shops and to revive its growth momentum. As a result, the Group closed 15 shops during the year under review while at the same time, it also strategically placed eight retail shops in new locations with either better sales potential or a competitive operating cost structure. As at 31 March 2018, it had 62 stores in Hong Kong (2017: 69). More data was observed indicating gradual recovery in the region and the consumption climate in general had improved since the second half of the financial year. The relatively softer Hong Kong dollar against other currencies possibly encouraged inbound tourist arrivals and their spending. In addition, the Group put much effort to improve its merchandise mix and product matching with customer preference. These factors have positively contributed to the retail performance in Hong Kong.

The business performance in Macau was promising. Upon the recovery of the gaming sector in Macau, retail consumption obviously increased during the year under review. The Group has gradually expanded its retail coverage in reputable shopping malls.

Taiwan

The retail market in Taiwan was stagnant and the segmental performance was unsatisfactory. Although the segment was able to maintain a comparable turnover of about HK$339.5 million (2017: HK$340.6 million), the Group incurred a segment loss of about HK$3.1 million (2017: profit of HK$24.2 million) for the year under review.

The Group recorded a negative same-store-sales growth on a year-on-year basis of about 8% in Taiwan for the year ended 31 March 2018. The retail performance in the first half of the financial year was particularly worse, while there was some improvement noted in the second half. The Group not only closely monitored the effectiveness of its shop merchandise, but also promptly adjusted its retailing strategies in response to the complicated market conditions. To galvanise customer traffic, the Group was required to offer attractive promotional activities and sales discounts. Apart from selling products through regular retail channels, the Group also established more short-term outlets across the island for bargain sales and to accelerate stock turnover of slow-moving items.

In view of the prolonged weak retail climate, the Group has started to gradually contract the scale of its regular retail network in Taiwan and was eliminating a number of loss-making stores/counters during the year under review. At the end of the reporting period, the Group operated a total of 82 stores/counters (2017: 91) in Taiwan, within reputable department stores in major Taiwan cities.

Mainland China

As at 31 March 2018, the Group ran 26 self-managed retail shops (2017: 25) in Beijing, Shanghai, Guangzhou and Zhuhai and maintained a streamlined franchise network covering mainly second-tier mainland cities. Turnover from the Mainland China segment increased by about 9.6% to about HK$135.1 million (2017: HK$123.3 million) and the region's offline retail network recorded a strong same-store-sales growth of about 9% (2017: –3%) for the year under review. However, mainly resulting from closure of certain under-performing stores, and pre-opening and establishment expenses invested to explore new potential cities for shop openings in coming years, the segment recorded a loss of about HK$2.3 million (2017: profit of HK$3.9 million) for the year ended 31 March 2018.

During the year under review, the Group coordinated its offline and online channels to build a lean and efficient retail network. On the offline side, the Group continued to revamp its existing retail network and streamline certain under-performing stores. The consolidated retail networks offered a relatively stable sales and profit contribution to the region. In addition, the Group was also proactively exploring new cities in Mainland China to expand and develop its retail business. During the year under review, the Group had entered Zhuhai and commenced it self-managed retail operations with an encouraging sales performance.

Apart from the traditional offline retail network, the Group also proactively developed online distribution platforms like Tmall. The Group continuously achieved exponential growth in sales on China's online sales channels during the year under review. With a business presence online, the Group is not only gradually achieving seamless retail coverage nationwide at a relatively lower cost, but also is increasing awareness on its in-house brands across the country.

FINANCIAL REVIEW

Turnover and Segment Information

Turnover of the Group increased by approximately 6.2% to around HK$1,387.5 million for the year ended 31 March 2018 (2017: HK$1,305.9 million). The Group recorded a turnaround in the overall same-store-sales growth from about –10% in last financial year to about +3% for the year under review. The offline retail business was the largest sales contributor, accounting for approximately 96.6% (2017: 97.1%) of the Group's total turnover for the year under review. Details of the Group's turnover and the contribution to profit before tax by segment are shown in Note 4 above.

Gross Profit and Gross Margin

The Group's gross profit increased to approximately HK$843.8 million for the year ended 31 March 2018 (2017: HK$817.9 million), while gross margin slightly dropped to around 60.8% (2017: 62.6%). The Group always closely monitors its stock level and promptly reacts to maintain a healthy inventory portfolio. Mostly in the second half of the financial year, the Group launched several massive bargain sales activities and online promotional activities to improve stock turnover rate and to reduce inventory of slow-moving products. However, these sales events imposed certain pressure on its gross margin. In addition, the gradual appreciation of the Pound Sterling against the Hong Kong dollar during the year under review also slightly increased purchases cost in general for the Group's merchandise, which in turn affected the gross margin.

Operating Expenses and Cost Control

The Group placed much effort on managing expenses during the year under review. On controlling rental costs, a major component of its operating expenses, the Group underwent restructuring programs on its retail networks during past several years. The Group has closed a number of loss-making, under-performing or costly stores while at the same time identifying appropriate locations for new stores with better sales prospects and reasonable cost package. Rental expenses were reduced by about 3.8% to about HK$306.7 million (2017: HK$318.8 million), which accounted for about 38.8% (2017: 41.8%) of the Group's total operating expenses for the year under review. To mitigate market rental increment as well as maintain a cost-effective operating structure, the Group adopts an on-going practice of strategically relocating, consolidating and adjusting its retail portfolio from time to time.

Staff cost increased to approximately HK$237.4 million (2017: HK$218.3 million) during the year ended 31 March 2018 and staff cost-to-sales ratio increased slightly to about 17.1% (2017: 16.7%). To prepare for gradual expansion plans, particularly in Mainland China, the Group had invested more on recruiting and training its retail management and front-line workforce. At the end of the reporting period, headcount of the Group increased to 1,220 (2017: 1,197).

The management was also aware of the need to control costs in other work areas. Efforts were made to rationalise work procedures to raise efficiency and effectiveness as well as to invest wisely on advertising spending, capital expenditure, etc. Depreciation charges increased to approximately HK$41.8 million (2017: HK$40.4 million) for the year under review. Marketing and advertising expenses totalled approximately HK$46.5 million for the year ended 31 March 2018 (2017: HK$36.5 million), representing proportionally about 3.4% (2017: 2.8%) of the Group's turnover. The Group focused its marketing efforts on key brands and products to optimise promotional benefits.

The Group's overall operating expenses increased slightly by about 3.6% to approximately HK$789.8 million (2017: HK$762.6 million) during the year ended 31 March 2018.

Other Income and Gains

In the prior year, the Group disposed an under-utilised property situated in Macau and realised a gain of about HK$5.5 million. Besides, upon completing the deregistration of a Mainland subsidiary and a subsidiary incorporated in the United Kingdom, the Group realised a gain on deregistration of subsidiaries of about HK$8.1 million during the year ended 31 March 2017. In absence of those one-off exceptional gains and the gradual appreciation of the Pound Sterling against the Hong Kong dollar during the year under review leading to greater exchange losses from purchases of import goods, the Group's other income and gains (including the gain on deregistration of subsidiaries) dropped substantially to about HK$3.2 million (2017: HK$19.0 million).

Finance Costs

The Group incurred finance costs of about HK$0.4 million (2017: HK$0.2 million), representing interest expense paid for bank borrowings, during the year under review.

Net Profit

The Group's net profit attributable to equity holders declined by about 37.4% to approximately HK$40.6 million for the year ended 31 March 2018 (2017: HK$64.9 million). Net profit margin also dropped to about 2.9% (2017: 5.0%). The unfavourable results were primarily attributed to the absence of certain one-off exceptional gains that were recorded in the last financial year and the weak retail performance in Taiwan during the year under review.

SEASONALITY

Seasonality has heavy bearing on the sales and results of the Group as its track record shows. The first half of each financial year has historically been less important than the second half. In general, more than 50% of the Group's annual sales and most of its net profit are derived in the second half of the financial year, within which the holiday seasons of Christmas, New Year and the Lunar New Year fall.

CAPITAL STRUCTURE

As at 31 March 2018, the Group had net assets of approximately HK$831.9 million (2017: HK$810.6 million), comprising non-current assets of approximately HK$319.0 million (2017: HK$312.1 million), net current assets of approximately HK$520.0 million (2017: HK$503.6 million) and non-current liabilities of approximately HK$7.1 million (2017: HK$5.1 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the Group had cash and bank balances of about HK$217.9 million (2017: HK$290.4 million). At the end of the reporting period, the Group had aggregate banking facilities of about HK$144.8 million (2017: HK$150.7 million) comprising interest-bearing bank overdraft, revolving loans, rental and utility guarantees as well as import facilities, of which about HK$135.9 million had not been utilised (2017: HK$137.9 million). The Group has repaid all its bank borrowings during the year under review and had no borrowings as at 31 March 2018 (2017: HK$5.9 million, which was in Hong Kong dollars repayable within one year and bearing interest at variable rates from about 2% to 3% per annum). 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 zero (2017: 0.6%).

CASH FLOWS

For the year ended 31 March 2018, net cash inflow from operating activities decreased remarkably to approximately HK$3.6 million (2017: HK$142.7 million), which was mainly due to increase in inventories, trade receivables and rental deposits paid for new stores opening. The Group's net cash flows used in investing activities increased to about HK$49.8 million (2017: HK$33.8 million) during the year under review. The rise was mainly contributed by the increase in capital expenditure on shop renovation as well as the absence of cash proceed from disposal of a property. Net cash flows used in financing activities increased to approximately HK$33.5 million (2017: HK$29.0 million) mainly attributed to repayment of all bank borrowings during the year under review.

SECURITY

As at 31 March 2018, the Group's general banking facilities were secured by certain of its land and buildings with aggregate carrying value of approximately HK$112.2 million (2017: HK$114.7 million).

CAPITAL COMMITMENT

The Group had no material capital commitment contracted but not provided for as at 31 March 2018 (2017: Nil).

CONTINGENT LIABILITIES

As at 31 March 2018, the Group had contingent liabilities in respect of bank guarantees given in lieu of utility and property rental deposits amounting to approximately HK$4.1 million (2017: HK$5.2 million).

In addition, the Group early terminated certain leases for properties during the current and prior years. Pursuant to the respective lease agreements, the Group might be required to compensate for losses or damages to the respective landlords subject to various conditions. As at the end of the reporting period, it is not practicable to estimate the related losses or damages as the outcome which could determine the compensation is not wholly within the control of the Group. In the opinion of the Directors, the likelihood of an outflow of resources embodying economic benefits by the Group is uncertain.

HUMAN RESOURCES

Including the Directors, the Group had 1,220 (2017: 1,197) employees as at 31 March 2018. To attract and retain high quality staff, the Group provided competitive remuneration packages with performance bonuses, mandatory provident fund, insurance and medical coverage as well as entitlements to share options to be granted under a share option scheme based on employees' performance, experience and the prevailing market rate. Remuneration packages were reviewed regularly. Regarding staff development, the Group provided regular in-house training to retail staff and subsidised external training programmes for their professional development.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's sales and purchases during the year have been mostly denominated in Hong Kong dollar, New Taiwan dollar, Renminbi and Pound Sterling. The Group has been 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

Recently, the Group has seen signs that the retail markets it operates in are stabilising, suggesting that recovery is on the way. Going forward, the Group will speed up investment and expansion, so as to fully benefit from the market recovery.

In Hong Kong, the retail market is clearly back on the uptrend with retail sales managing a 14.3% growth in the first quarter of 2018. With the market having a rosy outlook, plus the Group having completed consolidation of its retail network by closing under-performing stores, it is ready to resume opening stores in Hong Kong. However, aware of the high costs, especially rentals, of operating in the city, the Group will be very careful in selecting potential new store locations and will strive to maintain effective cost control to safeguard its profit margin.

In Macau, with its existing stores performing well, the Group plans to expand business in the market. As several new integrated resorts at prime locations in the city are scheduled to open later this year, the Group will grasp the opportunity to open new stores within them to fuel the growth momentum of its business there.

In Mainland China, the Group has started to expand its business from Shenzhen, Guangzhou, Shanghai and Beijing where it has a well-established presence, to markets in their vicinity, including Zhuhai, Zhongshan, Foshan, Fujian province and Hangzhou. It has opened a number of stores giving it a foothold in these areas and it plans to continue to do so to brace the sustainable growth of its business in the mainland market.

The Group's e-commerce business goes hand-in-hand with its physical retail network. Considering that this business platform has seen significant growth and been bringing meaningful contributions in recent years, the Group will devise an effective O2O strategy to help it fully exploit the potential of the business platform, using it to complement development of the Group's foundation brick-and-mortar retail business, and help take the business of Bauhaus to new heights.

In view of prolonged weak retail climate in Taiwan, the Group has started to gradually consolidate its retail portfolio in the region. The Group will continue to optimise and streamline its retail network, which may involve closing down under-performing stores, with an aim to improve its overall business performance.

While cautiously optimistic about the overall market environment and its own prospects, the Group is still wary of the risks and challenges ahead, especially the pressure from climbing operating costs, including labour and rental costs, and in particular the latter in Hong Kong as previously mentioned, as well as the weakness of the Taiwan market. Nevertheless, with unique brands and a solid market position, the management is confident of the Group's ability to achieve long-term sustainable growth despite market fluctuations and reward shareholders with satisfactory returns.

DIVIDEND

The Directors recommended the payment of a final dividend of **HK7.5 cents** (2017: HK7.5 cents) per ordinary share for the year ended 31 March 2018. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company (the "**AGM**"), the proposed final dividend will be payable on or before **Friday, 21 September 2018** to shareholders whose names appear on the register of members on **Tuesday, 11 September 2018**.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM is scheduled on **Thursday, 30 August 2018**. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from **Friday, 24 August 2018** to **Thursday, 30 August 2018**, 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 **Thursday, 23 August 2018**.

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 **Tuesday, 11 September 2018**. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from **Friday, 7 September 2018** to **Tuesday, 11 September 2018**, 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 **Thursday, 6 September 2018**.

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 2018 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 Board considers 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 Board believes 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 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2018.

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 2018.

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 March 2018 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.

CHANGES IN DIRECTORSHIP AND OTHER CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in directorship and/or other changes in the information of the Directors since the publication of the interim report of the Company for the six months ended 30 September 2017 up to the date of this announcement are set out below.

Name of Director	Details of change
Mr. Mak Siu Yan **("Mr. Mak")**	Mr. Mak obtained a Chartered Engineer qualification from May 2018.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement for the year ended 31 March 2018 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 2018 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, 29 June 2018

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 Mr. Chu To Ki, Mr. Mak Wing Kit and Mr. Mak Siu Yan.