bauhaus

interim report 2018

BAUHAUS INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code:483)

Contents

Key Financial Ratios		*Notes*	**Period 4-9/2018**	Period 4-9/2017	Change +/–
Performance					
Gross Margin	(%)	*1*	**57.1**	62.1	–5.0% pts.
Net Profit Margin	(%)	*2*	**–11.0**	–10.2	–0.8% pts.
Return on Average Equity (Annualised)	(%)	*3*	**–14.2**	–12.4	–1.8% pts.
Return on Average Assets (Annualised)	(%)	*4*	**–11.7**	–10.2	–1.5% pts.
Operating					
Inventory Turnover Days (Annualised)		*5*	**314**	347	–33 days
Debtors' Turnover Days (Annualised)		*6*	**19**	13	+6 days
Creditors' Turnover Days (Annualised)		*7*	**39**	46	–7 days
Liquidity and Gearing					
Current Ratio		*8*	**3.2**	3.1	+3.2%
Quick Ratio		*9*	**0.9**	1.0	–10.0%
Gearing Ratio	(%)	*10*	**0.0**	0.3	–0.3% pts.
Per Share Data					
Book Value Per Share	(HK cents)	*11*	**202.2**	201.0	+0.6%
Basic Loss Per Share	(HK cents)	*12*	**15.2**	13.1	+16.0%
Diluted Loss Per Share	(HK cents)	*13*	**15.2**	13.1	+16.0%

Notes:

1 "Gross Margin" is based on gross profit divided by turnover for the period.

2 "Net Profit Margin" is calculated as the loss for the period attributable to equity holders of the parent divided by turnover for the period.

3 "Return on Average Equity" represents the annualised loss for the period attributable to equity holders of the parent divided by average of opening and closing balance of shareholders' equity.

4 "Return on Average Assets" represents the annualised loss for the period attributable to equity holders of the parent divided by average of opening and closing balance of total assets.

5 "Inventory Turnover Days" is based on average of opening and closing balance of inventories divided by cost of sales and then multiplied by number of days during the period.

6 "Debtors' Turnover Days" is based on average of opening and closing balance of trade receivables divided by turnover and then multiplied by number of days during the period.

7 "Creditors' Turnover Days" is based on average of opening and closing balance of trade payables divided by purchases and then multiplied by number of days during the period.

8 "Current Ratio" represents current assets divided by current liabilities.

9 "Quick Ratio" represents current assets less inventories then divided by current liabilities.

10 "Gearing Ratio" represents total interest-bearing bank borrowings divided by total assets.

11 "Book Value Per Share" represents shareholders' equity divided by the total number of issued shares at the end of reporting period of 367,380,000 (2017: 367,380,000).

12 "Basic Loss Per Share" is calculated as the loss for the period attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period under review of 367,380,000 (2017: 367,380,000).

13 "Diluted Loss Per Share" is calculated as the loss for the period attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period under review and all dilutive potential ordinary shares of 367,380,000 (2017: 367,380,000) in aggregate.

Name of the Company

Bauhaus International (Holdings) Limited
包浩斯國際（控股）有限公司

Directors of the Company (The "Directors")

Executive directors:
Mr. Wong Yui Lam
(Chairman and Chief Executive Officer)
Madam Lee Yuk Ming
Mr. Yeung Yat Hang

Independent non-executive directors:
Mr. Chu To Ki
Mr. Mak Wing Kit
Mr. Mak Siu Yan

Authorised Representatives

Mr. Wong Yui Lam
Madam Lee Yuk Ming

Company Secretary

Mr. Li Kin Cheong

Qualified Accountant

Mr. Li Kin Cheong

Audit Committee

Mr. Mak Wing Kit *(Chairman)*
Mr. Chu To Ki
Mr. Mak Siu Yan

Remuneration Committee

Mr. Mak Wing Kit *(Chairman)*
Mr. Chu To Ki
Mr. Mak Siu Yan

Nomination Committee

Mr. Mak Siu Yan *(Chairman)*
Mr. Chu To Ki
Mr. Mak Wing Kit

Principal Auditors

Ernst & Young, *Certified Public Accountants*
22nd Floor
CITIC Tower,
1 Tim Mei Avenue, Central
Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
382-384 Prince Edward Road
Kowloon City
Kowloon
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road, Central
Hong Kong

Registered Office

P.O. Box 10008,
Willow House,
Cricket Square,
Grand Cayman KY1-1001,
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Room 501, Sino Industrial Plaza
9 Kai Cheung Road
Kowloon Bay, Kowloon
Hong Kong

Principal Share Registrar and Transfer Office

Tricor Services (Cayman Islands) Limited
P.O. Box 10008,
Willow House,
Cricket Square,
Grand Cayman KY1-1001,
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Investor Relation

Strategic Financial Relations Limited
24/F, Admiralty Centre I,
18 Harcourt Road, Hong Kong

Listing information

Listing exchange	:	Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")
Listing date	:	12 May 2005
Stock code	:	483

Share information

		As at 30 September 2018 No. of shares	As at 31 March 2018 No. of shares
Shares			
Authorised shares	:	**2,000,000,000**	2,000,000,000
Issued shares	:	**367,380,000**	367,380,000

Board lot size	:	2,000 shares
Par value	:	HK$0.10

Key dates

2017/18 Annual Results Announcement	:	29 June 2018
Closure of Register of Members for 2017/18 Annual General Meeting	:	24 August 2018 to 30 August 2018 *(both days inclusive)*
2017/18 Annual General Meeting	:	30 August 2018
Closure of Register of Members for 2017/18 Proposed Final Dividend	:	7 September 2018 to 11 September 2018 *(both days inclusive)*
Payment of 2017/18 Final Dividend	:	21 September 2018
2018/19 Interim Results Announcement	:	28 November 2018
Official website	:	www.bauhaus.com.hk
Financial year end	:	31 March
Interim period end	:	30 September

BUSINESS REVIEW

The Group is principally engaged in the design and retail of trendy apparel, bags and fashion accessories. It operates various retail channels (both online and offline) in Hong Kong, Macau, Taiwan and 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 30 September 2018, the Group had a total of 204 self-managed offline shops in operation (31 March 2018: 182).

	As at 30 September 2018	As at 31 March 2018	Changes
Hong Kong & Macau	**79**	74	+5
Taiwan	**81**	82	–1
Mainland China	**44**	26	+18
TOTAL	**204**	182	+22

The intensifying trade protectionism and more rigidly enforced boundaries in major economic nations inevitably impose greater uncertainties on global economic prospects and gradually impaired the retail climate regionally. The first half of financial year 2018/19 was challenging for the Group, yet the performance in its home base, Hong Kong and Macau, remained relatively stable during the six months ended 30 September 2018. However, the Group's Taiwan and Mainland China segments encountered higher operating pressure and experienced greater volatility in their performance. The Group incurred net loss of about HK$55.9 million for the six months ended 30 September 2018 (2017: HK$48.3 million).

With positive contribution by retail network expansion and continued rapid growth in online business, the turnover of the Group increased by about 7.3% to approximately HK$510.0 million (2017: HK$475.4 million). In addition, the Group was able to maintain a stable growth in same-store-sales of about +1% (2017: –5%) during the period under review. In view of increasing business uncertainties and volatile consumption behaviour, the Group aimed to cautiously manage its inventories at healthy levels and, in particular, put greater efforts to minimise its slow-moving items. The Group allowed more extensive promotional discounts to the market in certain operating segments with a higher portion of slow-moving inventories, like in Taiwan and increased its bargain sales activities during the six months ended 30 September 2018. Furthermore, more spending was invested in the first half of the financial year on establishing wider offline retail coverage in Mainland China, in particular the Greater Bay Area, to tap its immense retail potential in the country. The Group's gross margin was temporarily trimmed while its financial position remained robust to support its sustainable growth strategy in the long term.

Hong Kong, Macau and Elsewhere

The combined geographical unit, contributed almost all from Hong Kong and Macau retail operations, makes up the largest operating segment of the Group. For the six months ended 30 September 2018, the segment accounted for about 70.8% (2017: 71.0%) of the Group's turnover. The turnover of the segment increased by about 6.9% to about HK$361.0 million for the period under review (2017: HK$337.6 million), which was attributable to the orderly expansion of the offline retail network in both Hong Kong and Macau. As at 30 September 2018, the Group operated 79 (31 March 2018: 74) self-managed retail shops in Hong Kong and Macau. Besides, the same-store-sales of the regions were turned positive to about +2% (2017: –1%) during the period under review. The segment recorded a remarkable increase in profit to about HK$13.1 million for the six months ended 30 September 2018 (2017: HK$7.7 million).

In Hong Kong, the retail market of apparel and fashion accessories in general remained positive during the period under review and was on track to achieving recovery. Due to improvement in local consumption sentiment and revival in inbound tourism, local retail sales improved. The Group has re-started to progressively expand its offline retail networks in certain strategic and iconic shopping areas. One of which included a new "SUPERDRY" concept store in the Elements, a well-known shopping arcade nearby Hong Kong West Kowloon Station. Following the express railway operation, the customer traffic would definitely rise and bring about immense sales opportunities. The Group's Macau operations were growing stably as well. With the recovery of the gaming sector and tourist traffic in Macau, the Group opened one more new shop during the period under review in a newly renovated entertainment and resort complex, Sands Cotai Central and revamped certain stores within other reputable shopping malls to provide fresh and attractive shopping experience to customers.

Appropriate control on operating costs, of course, is equally important. The Group remained cautious in every strategic move as the cost pressure is still steep, in particular the rental in Hong Kong. The Group has also regularly reviewed and adjusted its shop merchandise and brand mix to remain competitive.

Taiwan

In view of the prolonged weak retail climate in Taiwan, the Group has continued to progressively consolidate its retail portfolio aiming to eliminate loss-making or under-performing retail stores in Taiwan. Because of the sluggish consumption sentiment and relatively high portion of slow-moving inventories in the region, the Group proactively launched various discount programmes and promotional activities to galvanise sales performance and accelerate stock clearance. Apart from selling products through regular retail channels, the Group also operated more short term outlets and pop-up shops across the island for bargain sales and to boost customer traffic.

The marketing programmes were proven effective to restore inventory level to a more healthy position and the Group achieved a positive same-store-sales growth on a year-on-year basis of about 3% (2017: –24%) in Taiwan for the six months ended 30 September 2018. The segmental sales increased by about 11.4% to about HK$90.1 million (2017: HK$80.9 million) as well. However, the segmental margin was inevitably reduced and the region incurred a segment loss of about HK$29.8 million (2017: HK$26.3 million) as compared to the same period last year.

At the end of the reporting period, there was a total of 81 stores/counters/outlets (31 March 2018: 82) in operation, present mainly in reputable department stores in major Taiwan cities.

Mainland China

As at 30 September 2018, the Group operated 44 (31 March 2018: 26) self-managed retail shops in Mainland China. Apart from developing its existing foundation in Shanghai, Beijing and Guangzhou, the Group further extended its offline retail coverage during the six months ended 30 September 2018 to other Greater Bay Area cities, including Shenzhen, Zhuhai, Zhongshan and also some areas peripheral to the Group's well-established presence, like Hangzhou.

Turnover from the Mainland China segment increased by about 3.5% to about HK$58.9 million (2017: HK$56.9 million). Unfortunately, with the international trade disputes increasing uncertainties on China's economic growth and gradually imposing negative impact on the domestic retail performance, the Group recorded a same-store-sales growth of about –10% (2017: +13%) in its offline retail business during the six months ended 30 September 2018. The segment also recorded a larger loss of about HK$13.9 million (2017: HK$2.7 million) for the period under review.

Although the offline business experienced some difficulties under the complex operating environments, the Group's e-commerce platforms in Mainland China, including Tmall, continued to deliver an encouraging sales performance and grew in an orderly manner during the period under review. The Group gradually revamped its retail portfolio in Mainland China not only to enhance its operational effectiveness, but also to facilitate O2O operations. With a business presence both offline and online, the Group is gradually establishing nationwide retail coverage as well as enhancing its brand awareness and in turn, its market share in this giant country.

FINANCIAL REVIEW

Turnover and Segment Information

Turnover of the Group increased by about 7.3% to approximately HK$510.0 million (2017: HK$475.4 million) for the six months ended 30 September 2018. The Group improved its overall same-store-sales growth rate to about +1% (2017: –5%) for the first half of the financial year under review. Hong Kong, Macau and Elsewhere remains the key operating segment of the Group's retail business, accounting for approximately 70.8% (2017: 71.0%) of the Group's turnover, which performed stably with a positive growth in same-store-sales of about 2% (2017: –1%) during the period under review. Details of the Group's segmental turnover and results are shown in Note 3 to the Interim Financial Statements.

Gross Profit and Gross Margin

The Group's gross profit decreased slightly by about 1.4% to approximately HK$291.2 million (2017: HK$295.2 million) for the six months ended 30 September 2018. Although the sales rose, the Group put greater efforts to galvanise customer traffic and reduce slow-moving inventories in particular regions through various promotional programmes and bargain sales activities. The gross profit was inevitably trimmed and the gross margin reduced to about 57.1% (2017: 62.1%) as compared with the same period last year.

Operating Expenses and Cost Control

The Group maintained great effort on managing expenses during the six months ended 30 September 2018. On controlling rental costs, a major component of its operating expenses, the Group regularly reviewed the performance on each retail store and consolidated under-performing shops. At the same time, the Group was cautious in identifying appropriate locations for new stores and re-allocated certain shops to less costly locations to strike a balance between prospective sales opportunities and cost efficiency. Rental expenses increased slightly by about 3.2% to about HK$138.2 million (2017: HK$133.9 million), which accounted for about 38.6% (2017: 38.8%) of the Group's total operating expenses for the period review. To mitigate market rental increment as well as attain a flexible cost structure, the Group has adopted an on-going practice of strategically relocating, consolidating and converting its retail portfolio.

Efforts to control costs in other areas are also important. Regular review on work procedures and performance is in place to raise effectiveness and to eliminate any inefficiency. As a result of an increase in the number of the front-line retail staff force to support orderly expansion of retail network in different regions, staff cost rose by about 8.0% to approximately HK$108.9 million (2017: HK$100.8 million) during the period under review. Depreciation charges also increased to approximately HK$22.7 million (2017: HK$20.2 million) for the period under review, mainly due to more capital expenditure invested in retail network expansion, especially in Mainland China. Marketing and advertising expenses totalled approximately HK$13.5 million (2017: HK$16.8 million), representing proportionally about 2.6% (2017: 3.5%) of the Group's turnover. The Group intended to exert marketing efforts wisely on key brands and products to capture optimum promotional benefits.

The Group's overall operating expenses increased slightly by about 3.7% to approximately HK$357.7 million (2017: HK$345.0 million) during the period under review.

Net Loss

The Group incurred a net loss for the six months ended 30 September 2018 of about HK$55.9 million (2017: HK$48.3 million). The unfavourable results were primarily caused by weak performance of offline retail business in Taiwan and Mainland China.

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 30 September 2018, the Group had net assets of approximately HK$742.8 million (31 March 2018: HK$831.9 million), comprising non-current assets of approximately HK$341.6 million (31 March 2018: HK$319.0 million), net current assets of approximately HK$407.5 million (31 March 2018: HK$520.0 million) and non-current liabilities of approximately HK$6.3 million (31 March 2018: HK$7.1 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2018, the Group had cash and bank balances of approximately HK$79.2 million (31 March 2018: HK$217.9 million). At the end of the reporting period, the Group had aggregate banking facilities of approximately HK$144.8 million (31 March 2018: HK$144.8 million) comprising an interest-bearing bank overdraft, revolving loans, rental and utility guarantees as well as import facilities, of which approximately HK$132.5 million had not been utilised (31 March 2018: HK$135.9 million). The Group had no bank borrowing as at 30 September 2018 (31 March 2018: Nil) and hence, the gearing ratio at the end of the reporting period, representing a percentage of total interest-bearing bank borrowing to total assets, was 0% (31 March 2018: 0%).

CASH FLOWS

For the six months ended 30 September 2018, net cash flows used in operating activities reduced substantially to approximately HK$61.3 million (2017: HK$97.4 million), which was mainly attributable to less inventory purchases for winter season. Net cash flows used in investing activities increased by about 65.5% to approximately HK$44.2 million (2017: HK$26.7 million) mainly due to an increase in capital expenditure for store renovation and new shop openings. Net cash flows used in financing activities of approximately HK$27.6 million (2017: HK$31.1 million) were for the payment of 2018 final dividends.

SECURITY

The Group's general banking facilities were secured by its land and buildings situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of approximately HK$95.6 million (31 March 2018: HK$112.2 million).

COMMITMENTS

The Group had no material capital commitments contracted, but not provided for as at 30 September 2018 (31 March 2018: Nil).

CONTINGENT LIABILITIES

As at 30 September 2018, the Group had contingent liabilities in respect of guarantees given in lieu of utility and property rental deposits amounting to approximately HK$7.9 million (31 March 2018: HK$4.1 million).

In 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.

HUMAN RESOURCES

Including the Directors, the Group had 1,303 (31 March 2018: 1,220) employees as at 30 September 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 period under review were mostly denominated in Hong Kong dollars, New Taiwan dollars, Renminbi and pounds 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.

DIVIDEND

The Directors did not declare the payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).

PROSPECTS

As the trade dispute between Mainland China and the US intensifies, significant macro-economic uncertainties will affect Mainland China, leading to volatile consumption sentiment in the country as well as in the Hong Kong and Macau markets. Against this backdrop, the Group will adopt a more prudent strategy for its operations. In particular, more careful consideration will be given when planning the expansion of its store network.

The Group's business operations in Hong Kong and Macau have continued to perform in a stable manner during the first half of this financial year. The Group remains cautiously optimistic about market prospects. Having completed consolidation of the respective retail networks during the last few financial years, which included the closure of under-performing stores, the Group will continue to pursue stable expansion in the two markets by selecting ideal locations for new store openings. However, due to persistently high rent, the Group will be more cautious; mindful of enhancing operational efficiency and maintaining its profit margin.

In Mainland China, following the Group's active efforts to expand during the first half of this financial year, the number of stores has increased from 26 as at the end of the previous financial year to 44 as at the end of September. In view of some progress made in expanding operational scale, and given that retail sentiment has been affected by the trade dispute between Mainland China and the US, the Group will temporarily reduce the pace of market expansion, and will further devise development strategies after reviewing and rationalising its operations. In the medium to long term, the Group remains optimistic about the potential of the Mainland China market, and plans to roll out strategies pertaining to the surrounding areas of core cities where it has an established presence and also the Greater Bay Area. The said strategies will aim to achieve long-term sustainable development.

In Taiwan, the Group will continue to consolidate and streamline the scale of operations, owing to the weak local economy and consumption sentiment. Promotional activities and discounts will also be used accordingly to clear inventory. In the future, the Group will continue to review its business strategy in a bid to raise efficiency and enhance business performance.

In summary, faced with macroeconomic uncertainty brought by the trade dispute between Mainland China and the US, the Group will more carefully examine its development strategy and will endeavour to control costs so as to respond to various challenges in the market. In the long run, the Group remains cautiously optimistic about its business and believes that it will bring satisfactory and sustainable returns to shareholders by leveraging its unique brands and well-established market position.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2018

	Notes	Six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
REVENUE	4	**509,976**	475,351
Cost of sales		**(218,790)**	(180,186)
GROSS PROFIT		**291,186**	295,165
Other income and gains	4	**3,670**	1,302
Selling and distribution expenses		**(296,331)**	(284,374)
Administrative expenses		**(59,716)**	(55,825)
Other expenses	6	**(1,642)**	(4,822)
Finance cost	5	**–**	(54)
LOSS BEFORE TAX	6	**(62,833)**	(48,608)
Income tax credit	7	**6,947**	323
LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**(55,886)**	(48,285)
Other comprehensive income/(loss)			
Item to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(6,712)**	3,776
Item will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of financial assets at fair value through other comprehensive income		**1,030**	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**(61,568)**	(44,509)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		**HK15.2 cents**	HK13.1 cents

As at 30 September 2018

	Notes	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**210,287**	191,514
Investment property		**19,400**	19,000
Intangible assets		**493**	549
Available-for-sale investments		**–**	2,970
Financial assets at fair value through other comprehensive income		**4,000**	–
Rental, utility and other non-current deposits		**83,032**	85,767
Deferred tax assets		**24,373**	19,205
Total non-current assets		**341,585**	319,005
CURRENT ASSETS			
Inventories		**433,032**	318,879
Trade receivables	*10*	**41,580**	61,908
Prepayments, deposits and other receivables		**42,067**	54,121
Tax recoverable		**335**	814
Cash and bank balances		**79,178**	217,878
Total current assets		**596,192**	653,600
CURRENT LIABILITIES			
Trade payables	*11*	**98,801**	35,461
Other payables and accruals		**85,748**	90,219
Tax payable		**4,192**	7,887
Total current liabilities		**188,741**	133,567
NET CURRENT ASSETS		**407,451**	520,033
TOTAL ASSETS LESS CURRENT LIABILITIES		**749,036**	839,038
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**6,270**	7,150
NET ASSETS		**742,766**	831,888
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	*12*	**36,738**	36,738
Reserves		**706,028**	795,150
TOTAL EQUITY		**742,766**	831,888

For the six months ended 30 September 2018

	Share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000	Asset revaluation reserve# HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 April 2017 (audited)	36,738	105,566	744	6,397	7,181	14,633	–	639,338	810,597
Final 2017 dividend declared	–	–	–	–	–	–	–	(27,554)	(27,554)
Loss for the period	–	–	–	–	–	–	–	(48,285)	(48,285)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	–	–	–	3,776	–	–	–	–	3,776
Total comprehensive income/(loss) for the period	–	–	–	3,776	–	–	–	(48,285)	(44,509)
At 30 September 2017 (unaudited)	36,738	105,566	744	10,173	7,181	14,633	–	563,499	738,534
At 1 April 2018 (audited)	**36,738**	**105,566***	**744***	**14,639***	**8,249***	**14,633***	**–***	**651,319***	**831,888**
Final 2018 dividend declared	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(27,554)**	**(27,554)**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(55,886)**	**(55,886)**
Other comprehensive income/(loss) for the period:									
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**(6,712)**	**-**	**-**	**-**	**-**	**(6,712)**
Changes in fair value of financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**1,030**	**-**	**1,030**
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**(6,712)**	**-**	**-**	**1,030**	**(55,886)**	**(61,568)**
At 30 September 2018 (unaudited)	**36,738**	**105,566***	**744***	**7,927***	**8,249***	**14,633***	**1,030***	**567,879***	**742,766**

* These reserve accounts comprise the consolidated reserves of HK$706,028,000 (31 March 2018: HK$795,150,000) in the condensed consolidated statement of financial position.

The asset revaluation reserve of HK$14,633,000 (31 March 2018: HK$14,633,000) relates to an owner-occupied property of the Group transferred to investment property.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2018

	Six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Net cash flows used in operating activities	**(61,342)**	(97,400)
Net cash flows used in investing activities	**(44,167)**	(26,702)
Net cash flows used in financing activities	**(27,554)**	(31,093)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(133,063)**	(155,195)
Cash and cash equivalents at beginning of period	**217,878**	290,436
Effect of foreign exchange rate changes, net	**(5,637)**	3,581
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**79,178**	138,822
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**79,178**	138,822

1. BASIS OF PRESENTATION AND PREPARATION

These unaudited condensed consolidated interim financial statements (the "**Interim Financial Statements**") of Bauhaus International (Holdings) Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the six months ended 30 September 2018 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, "*Interim Financial Reporting*", issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and the Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The accounting policies and basis of preparation adopted in the preparation of the Interim Financial Statements are the same as those used in the annual financial statements for the year ended 31 March 2018, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (which also include HKASs and Interpretations) (the "**Standards**") in current period for the first time as disclosed in Note 2 below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

These Interim Financial Statements have not been audited, but have been reviewed by the Company's audit committee and should be read in conjunction with the 2018 annual report.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following Standards for the first time in the preparation of these Interim Financial Statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the impacts of the adoption of HKFRS 9 as further elaborated below, the adoption of the above Standards has had no significant financial effect on these Interim Financial Statements.

The impacts of the adoption of HKFRS 9 is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group has adopted HKFRS 9 from 1 April 2018 while the Group did not restate comparative information.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group has an impact on the classification and measurement of its financial assets previously classified as available-for-sale investments. Equity investments previously held as available for sale stated at cost less any impairment losses are measured at fair value through other comprehensive income. Gains and losses recorded in other comprehensive income for those equity investments cannot be recycled to profit or loss when the investments are derecognised. The Directors have assessed that the fair values of the financial assets at fair value through other comprehensive income approximate to their carrying amounts of these instruments.

The following tables show the impact on each individual line item. Line items that were not affected by the changes have not been included.

	As at 31 March 2018 as originally presented HK$'000	Impact on initial adoption of HKFRS 9 HK$'000	As at 1 April 2018 Restated HK$'000
Non-Current Assets			
Available-for-sale investments	2,970	(2,970)	–
Financial assets at fair value through other comprehensive income	–	2,970	2,970

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group has applied the simplified approach and recorded lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group has applied the general approach and recorded twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. There is no significant impact on the Interim Financial Statements upon the initial adoption of the new impairment methodology.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(continued)

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective in these Interim Financial Statements. Further information about those Standards 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 30 September 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$495,745,000. 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.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the design and retail of trendy apparel, bags and fashion accessories. 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 segment are based on the location of the customers.

Formerly, the Group presented its segmental information in four separate reporting segments, namely "Hong Kong & Macau", "Taiwan", "Mainland China" and "Elsewhere". Because of insignificant business contribution from the "Elsewhere" segment, the Group has combined its "Hong Kong & Macau" segment and "Elsewhere" segment into one single reporting segment with effective from 1 April 2018 and the comparative figures are also combined and restated.

The Group's new reporting segments are as follows:
(a) Hong Kong, Macau and Elsewhere
(b) Taiwan
(c) Mainland China

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/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance cost, fair value gain on an investment property and unallocated expenses are excluded from this measurement.

Segment assets exclude an investment property, available-for-sale investments, financial assets at fair value through other comprehensive income, deferred tax assets, tax recoverable and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax payable 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, financial assets at fair value through other comprehensive income, deferred tax assets and other unallocated corporate non-current assets as these assets are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Information about major customers

Since there was no customer to whom the Group's sales amounted to 10% or more of the Group's revenue during the period under review, no major customer information is presented.

3. OPERATING SEGMENT INFORMATION *(continued)*

	Hong Kong, Macau and Elsewhere HK$'000	Taiwan HK$'000	Mainland China HK$'000	Total HK$'000
For the six months ended 30 September 2018 (Unaudited)				
Segment revenue:				
Sales to external customers	360,959	90,085	58,932	509,976
Intersegment sales	3,284	54,176	–	57,460
	364,243	144,261	58,932	567,436
Reconciliation:				
Elimination of intersegment sales				(57,460)
Revenue				509,976
Segment results:	13,107	(29,792)	(13,948)	(30,633)
Reconciliation:				
Interest income				63
Fair value gain on an investment property				400
Unallocated expenses, net				(32,663)
Loss before tax				(62,833)
Other segment information:				
Capital expenditure	22,911	5,103	14,838	42,852
Unallocated capital expenditure				1,315
Total capital expenditure				44,167
Depreciation	11,119	6,212	2,440	19,771
Unallocated depreciation				2,972
Total depreciation				22,743
As at 30 September 2018 (Unaudited)				
Segment assets:	366,003	202,551	142,052	710,606
Reconciliation:				
Investment property				19,400
Financial assets at fair value through other comprehensive income				4,000
Deferred tax assets				24,373
Tax recoverable				335
Unallocated assets				179,063
Total assets				937,777
Segment liabilities:	97,887	10,214	38,838	146,939
Reconciliation:				
Deferred tax liabilities				6,270
Tax payable				4,192
Unallocated liabilities				37,610
Total liabilities				195,011
Segment non-current assets:	115,977	18,411	30,961	165,349
Reconciliation:				
Investment property				19,400
Financial assets at fair value through other comprehensive income				4,000
Deferred tax assets				24,373
Unallocated non-current assets				128,463
Total non-current assets				341,585

3. OPERATING SEGMENT INFORMATION *(continued)*

	Hong Kong, Macau and Elsewhere (Restated) HK$'000	Taiwan HK$'000	Mainland China HK$'000	Total HK$'000
For the six months ended 30 September 2017 (Unaudited)				
Segment revenue:				
Sales to external customers	337,610	80,868	56,873	475,351
Intersegment sales	1,692	88,374	–	90,066
	339,302	169,242	56,873	565,417
Reconciliation:				
Elimination of intersegment sales				(90,066)
Revenue				475,351
Segment results:	7,675	(26,307)	(2,679)	(21,311)
Reconciliation:				
Interest income				134
Finance cost				(54)
Fair value gain on an investment property				300
Unallocated expenses, net				(27,677)
Loss before tax				(48,608)
Other segment information:				
Capital expenditure	9,538	12,383	3,198	25,119
Unallocated capital expenditure				2,279
Total capital expenditure				27,398
Depreciation	9,935	5,670	1,609	17,214
Unallocated depreciation				2,976
Total depreciation				20,190
As at 31 March 2018 (Audited)				
Segment assets:	350,235	219,350	131,761	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:	91,177	9,818	9,667	110,662
Reconciliation:				
Deferred tax liabilities				7,150
Tax payable				7,887
Unallocated liabilities				15,018
Total liabilities				140,717
Segment non-current assets:	109,917	21,168	15,500	146,585
Reconciliation:				
Investment property				19,000
Available-for-sale investments				2,970
Deferred tax assets				19,205
Unallocated non-current assets				131,245
Total non-current assets				319,005

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts and sales tax.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue		
Sale of goods	**509,976**	475,351
Other income		
Bank interest income	**63**	134
Rental income	**260**	309
Others	**2,301**	559
	2,624	1,002
Gains		
Foreign exchange gains, net	**646**	–
Fair value gain on an investment property	**400**	300
	1,046	300
	3,670	1,302

5. FINANCE COST

An analysis of finance cost is as follows:

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on a bank loan	**–**	54

6. LOSS BEFORE TAX

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

	Six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Cost of inventories sold*	**199,221**	163,168
Provision for inventories, net*	**19,569**	17,018
Depreciation	**22,743**	20,190
Minimum lease payments under operating leases	**119,009**	113,230
Contingent rents under operating leases	**19,237**	20,690
	138,246	133,920
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and other benefits	**102,692**	95,346
Pension scheme contributions	**6,255**	5,445
	108,947	100,791
Fair value gain on an investment property	**(400)**	(300)
Other expenses:		
Loss on disposal of items of property, plant and equipment, net	**1,371**	1,498
Amortisation of intangible assets	**75**	87
Loss on disposal of trademarks	**1**	2
Write-off of deposits	**–**	444
Provision for doubtful debts and write-off of bad debts	**–**	2
Impairment of items of property, plant and equipment	**185**	1,111
Foreign exchange losses, net	**–**	1,558
Others	**10**	120
	1,642	4,822

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

7. INCOME TAX

Hong Kong profit tax has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2018. The People's Republic of China corporate income tax ("**CIT**") is applicable to subsidiaries operated in Mainland China. All of these subsidiaries were subject to the applicable CIT rate of 25.0% (2017: 25.0%) for the period under review. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax charge/(credit), net		
– Hong Kong	**(626)**	2,282
– Mainland China	**(38)**	368
– Elsewhere	**74**	1,157
Deferred tax credit, net	**(6,357)**	(4,130)
Total tax credit for the period, net	**(6,947)**	(323)

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

The calculation of the basic loss per share is based on the loss for the period attributable to equity holders of the parent of HK$55,886,000 (2017: HK$48,285,000) and the weighted average number of ordinary shares of 367,380,000 (2017: 367,380,000) in issue during the six months ended 30 September 2018.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2018 and 2017.

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

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss		
Loss attributable to equity holders of the parent, used in the basic loss per share calculation	**55,886**	48,285
	Number of Shares	
Shares		
Weighted average number of ordinary shares in issue during the six months period under review used in the basic loss per share calculation	**367,380,000**	367,380,000

9. DIVIDEND

A final dividend of HK$27,554,000 for the year ended 31 March 2018 (2017: HK$27,554,000) was paid in September 2018.

The Board did not declare the payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).

10. TRADE RECEIVABLES

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 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:

	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Within 90 days	**41,003**	61,794
91 to 180 days	**152**	7
181 to 365 days	**425**	–
Over 365 days	**–**	107
	41,580	61,908

11. 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:

	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Within 90 days	**95,623**	33,239
91 to 180 days	**1,816**	1,984
181 to 365 days	**1,221**	207
Over 365 days	**141**	31
	98,801	35,461

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

12. SHARE CAPITAL

Shares

	Company	
	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Issued and fully paid:		
367,380,000 (31 March 2018: 367,380,000) ordinary shares of HK$0.1 each	**36,738**	36,738

Details of the Company's share option scheme and the share options issued under the scheme are included in Note 13 to the Interim Financial Statements.

13. SHARE OPTION SCHEME

On 27 August 2015, the Company adopted a share option scheme (the "**Scheme**") to provide the Company with the flexibility of granting share options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. Eligible participants of the Scheme include the Company's directors, including independent non-executive Directors, other employees of the Group, any advisers, consultants, suppliers and customers of the Group and such other persons who, in the sole opinion of the board of directors of the Company, will contribute or have contributed to the Group. The Scheme will remain in force for 10 years from the effective date of 28 August 2015.

No share option was granted under the Scheme since its adoption and during the six months ended 30 September 2018. As at the date of this report, the total number of securities available for issue under the Scheme was 36,738,000, representing 10% of the issued shares of the Company.

14. CONTINGENT LIABILITIES

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

	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Guarantees given in lieu of utility and property rental deposits	**7,945**	4,058

In 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.

15. OPERATING LEASE ARRANGEMENTS

As lessor

The Group, as lessor, leases certain of its office under an operating lease arrangement with a lease term of three years. The Group had total future minimum lease payments receivable under non-cancellable operating leases falling due as follows:

	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Within one year	**672**	–
In the second year	**1,071**	–
	1,743	–

As lessee

The Group, as lessee, leases its retail shops and certain of its offices and warehouses under operating lease arrangements with lease terms ranging from one to six years. The Group had total future minimum lease payments payable under non-cancellable operating leases falling due as follows:

	As at 30 September 2018 (Unaudited) HK$'000	As at 31 March 2018 (Audited) HK$'000
Within one year	**236,798**	211,751
In the second to fifth year, inclusive	**258,013**	242,194
Over five years	**934**	2,095
	495,745	456,040

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

16. COMMITMENTS

The Group had no material capital commitments contracted, but not provided for as at 30 September 2018 (31 March 2018: Nil).

17. PLEDGE OF ASSETS

The Group's general banking facilities were secured by its land and buildings situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of approximately HK$95,555,000 (31 March 2018: HK$112,196,000).

18. RELATED PARTY TRANSACTIONS

(a) During the period under review, the Group had the following transactions with related companies controlled by a close family member of a director of the Group:

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Computer system maintenance charges	**302**	40

(b) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short-term employee benefits	**2,168**	2,102
Post-employment benefits	**39**	38
Total compensation paid to key management personnel	**2,207**	2,140

19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the board of directors of the Company on 28 November 2018.

DIRECTORS' INTERESTS IN SECURITIES

At 30 September 2018, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

(a) Long positions in ordinary shares of the Company

	Number of shares held, capacity and nature of interest				
Name of director	**Directly beneficially owned**	**Through controlled corporation**	**Through a discretionary trust/as beneficiary or trustee of trust**	**Total number of ordinary shares held**	**Percentage of the Company's issued share capital**
Mr. Wong Yui Lam	1,700,000	29,900,000 *(note)*	180,000,000 *(note)*	211,600,000	57.60%
Madam Lee Yuk Ming	250,000	–	–	250,000	0.07%
Mr. Yeung Yat Hang	4,730,000	–	–	4,730,000	1.29%

Note: The 29,900,000 shares are held by Wonder View Limited ("**Wonder View**"), the entire issued share capital of which is beneficially owned by Mr. Wong Yui Lam, an executive director of the Company. The 180,000,000 shares are held by Huge Treasure Investments (PTC) Limited ("**Huge Treasure**") as trustee of The Wong & Tong Unit Trust, all units of which are owned by The Wong & Tong Family Trust, a discretionary trust established by Mr. Wong Yui Lam, the executive director of the Company and Madam Tong She Man, Winnie, a beneficial shareholder of the Company.

(b) Long positions in shares of associated corporations

Name of associated corporation	Name of director	Capacity	Number of shares held	Percentage of the associated corporation's issued share capital
Huge Treasure (as trustee of The Wong & Tong Unit Trust)	Mr. Wong Yui Lam	Beneficial owner	1 share of US$1	50%
Tough Jeans Limited	Mr. Wong Yui Lam	Beneficial owner *(note)*	3 non-voting deferred shares of HK$1 each	60% of the issued non-voting deferred shares
Bauhaus Holdings Limited	Mr. Wong Yui Lam	Beneficial owner *(note)*	1 non-voting deferred shares of HK$1 each	50% of the issued non-voting deferred shares

Note: Mr. Wong Yui Lam is a non-voting shareholder of these companies. The holders of these non-voting deferred shares are not entitled to any dividends and have no voting rights.

Save as disclosed above, as at 30 September 2018, none of the Directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporation, that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section of "Share Option Scheme", at no time during the six months ended 30 September 2018 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2018, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

		Number of shares held, capacity and nature of interest				
Name	**Position**	**Directly beneficially owned**	**Through controlled corporation**	**Through discretionary trust/as beneficiary or trustee of trust**	**Total number of ordinary shares held**	**Percentage of the Company's issued share capital**
Huge Treasure *(note 1)*	Long position	180,000,000	–	–	180,000,000	49.00%
East Asia International Trustees Limited ("**EAIT**") *(note 2)*	Long position	–	–	180,000,000	180,000,000	49.00%
Wonder View *(note 3)*	Long position	29,900,000	–	–	29,900,000	8.14%
Great Elite Corporation ("**Great Elite**") *(note 4)*	Long position	34,068,000	–	–	34,068,000	9.27%
David Michael Webb *(note 5)*	Long position	11,836,336	21,247,664	–	33,084,000	9.01%

Notes:

1. The 180,000,000 shares are held by Huge Treasure as trustee of The Wong & Tong Unit Trust, all units of which are owned by The Wong & Tong Family Trust, a discretionary trust established by Mr. Wong Yui Lam, an executive director of the Company and Madam Tong She Man, Winnie, a beneficial shareholder of the Company.

2. EAIT is a licensed trustee in the British Virgin Islands and acts as trustee of The Wong & Tong Family Trust. By virtue of its capacity as trustee of The Wong & Tong Family Trust, EAIT is deemed to be interested in the shares held by Huge Treasure (as trustee of The Wong & Tong Unit Trust) under the SFO.

3. Wonder View is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. Wong Yui Lam.

4. Great Elite is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Madam Tong She Man, Winnie.

5. The 21,247,664 shares are held by Preferable Situation Assets Limited, which is incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. David Michael Webb.

Save as disclosed above, as at 30 September 2018, no person, other than the directors of the Company, whose interests are set out in the section of "Directors' interests in securities" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

On 27 August 2015, the Company adopted a share option scheme (the "**Scheme**") to provide the Company with the flexibility of granting share options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. Eligible participants of the Scheme include the Company's directors, including independent non-executive Directors, other employees of the Group, any advisers, consultants, suppliers and customers of the Group and such other persons who, in the sole opinion of the board of directors of the Company, will contribute or have contributed to the Group. The Scheme will remain in force for 10 years from the effective date of 28 August 2015.

No share option was granted under the Scheme since its adoption and during the six months ended 30 September 2018. As at the date of this report, the total number of securities available for issue under the Scheme was 36,738,000, representing 10% of the issued shares of the Company.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 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 chief executive officer should be separate and should not be performed by the same individual. As the founder of the Group, Mr. Wong has substantial experience in the fashion industry and retail operations. The Directors consider that the present structure provides the Group with strong and consistent leadership which facilitates the development of its 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.

CHANGES IN DIRECTORSHIP AND OTHER CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, there was no change in directorship and other changes in the information of the Directors since the publication of the annual report of the Company for the year ended 31 March 2018 up to the date of this report.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Based on specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 September 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 six months ended 30 September 2018.

REVIEW OF FINANCIAL INFORMATION

An audit committee of the Company (the "**Audit Committee**") was established on 22 April 2005 with written terms of reference. As at 30 September 2018 and the date of this report, it comprised three independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group, including the review of the Interim Financial Statements for the six months ended 30 September 2018, and discussed risk management, internal control and financial reporting matters.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares was held by the public as at the date of this report.

APPRECIATION

On behalf of the Directors, I would like to express my gratitude to our shareholders, business partners and customers for their unwavering support. I would also like to extend my sincere appreciation to the Group's management team and employees for their dedication and contribution.

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

Hong Kong, 28 November 2018