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Bauhaus International (Holdings) Limited

包浩斯國際（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 483)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

- Turnover of the Group decreased by about 58.5% to approximately HK\$170.6 million (2019: HK\$410.8 million).

- Sales by operating segments are as follows:

	Six months ended 30 September 2020 HK\$ million	Six months ended 30 September 2019 HK\$ million	Changes
Hong Kong & Macau	148.2	294.4	–49.7%
Non-Hong Kong & Macau	22.4	116.4	–80.8%
Total	170.6	410.8	–58.5%

- Gross profit decreased to approximately HK\$111.3 million (2019: HK\$239.9 million) while the gross margin improved to about 65.2% (2019: 58.4%).
- Net loss for the six months ended 30 September 2020 was approximately HK\$37.6 million (2019: HK\$95.2 million).
- Basic and diluted loss per share was about 10.2 HK cents (2019: 25.9 HK cents).
- A special dividend and an interim dividend of 12.0 HK cents (2019: Nil) and 2.5 HK cents (2019: Nil), respectively, per ordinary share were declared.

The board of directors (the “**Board**”) of Bauhaus International (Holdings) Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2020, prepared on the basis set out in Note 1 to the Interim Financial Statements below, together with the comparative figures of the corresponding period, as follows.

The condensed consolidated interim results have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended 30 September	
		2020	2019
	<i>Notes</i>	(Unaudited) HK\$’000	(Unaudited) HK\$’000
REVENUE	4	170,647	410,803
Cost of sales		(59,345)	(170,893)
GROSS PROFIT		111,302	239,910
Other income and gains	4	13,820	561
Selling and distribution expenses		(110,684)	(267,217)
Administrative expenses		(28,104)	(53,550)
Other expenses	6	(19,146)	(9,097)
Finance costs	5	(5,595)	(9,326)
LOSS BEFORE TAX	6	(38,407)	(98,719)
Income tax credit	7	834	3,523
LOSS FOR THE PERIOD		(37,573)	(95,196)
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		(37,573)	(95,196)
Other comprehensive income/(loss)			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		3,467	(4,521)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(34,106)	(99,717)
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		(34,106)	(99,717)
LOSS PER SHARE			
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		HK10.2 cents	HK25.9 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		52,030	61,613
Investment property		15,700	17,900
Right-of-use assets		227,594	286,972
Intangible assets		255	307
Rental, utility and other non-current deposits		46,850	51,341
Deferred tax assets		500	650
Total non-current assets		342,929	418,783
CURRENT ASSETS			
Inventories		108,270	113,592
Trade receivables	10	8,720	11,631
Prepayments, deposits and other receivables		11,751	19,711
Tax recoverable		2,740	2,846
Pledged deposits		15,600	–
Cash and cash equivalents		187,912	322,159
Total current assets		334,993	469,939
CURRENT LIABILITIES			
Trade payables	11	8,219	4,051
Other payables and accruals		32,369	33,408
Lease liabilities		161,982	166,885
Tax payable		1,416	991
Total current liabilities		203,986	205,335
NET CURRENT ASSETS		131,007	264,604
TOTAL ASSETS LESS CURRENT LIABILITIES		473,936	683,387
NON-CURRENT LIABILITIES			
Lease liabilities		96,362	145,108
Deferred tax liabilities		630	2,320
Total non-current liabilities		96,992	147,428
NET ASSETS		376,944	535,959
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	12	36,738	36,738
Reserves		340,206	499,221
TOTAL EQUITY		376,944	535,959

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2020

1.1 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 period under review, the Group was 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".

The Company is a subsidiary of New Huge Treasure Investments Limited, a company incorporated in the British Virgin Islands. In the opinion of the directors of the Company (the "**Directors**"), the ultimate holding company of the Company is Yate Enterprises Limited, which was incorporated in the British Virgin Islands and is beneficially and wholly-owned by a discretionary trust.

1.2 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 2020 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 2020, 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 and the amendment on reportable segments as disclosed in Note 3 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 2020 annual report.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Except for the impact of the adoption of Amendment to HKFRS 16 as further elaborated below, the adoption of the above Standards has had no significant financial effect on these Interim Financial Statements.

The Group has early adopted Amendment to HKFRS 16 *COVID-19-Related Rent Concessions* on 1 April 2020. The Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the six months ended 30 September 2020, certain monthly lease payments for the leases of the Group's retail stores have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment and elected not to apply lease modification accounting for all rent concessions granted by the lessors resulting from the COVID-19 pandemic during the period under review. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$18,204,000 has been accounted for as a negative variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the six months ended 30 September 2020.

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.

In the prior year, the Group presented its segmental information in three separate reporting segments, namely "Hong Kong, Macau & Elsewhere", "Taiwan" and "Mainland China". In line with the Group's strategy to streamline its administrative layers and to maintain a lean operating structure during the period under review, the Group has combined and revamped its existing reporting segments into two distinctive segments with effective from 1 April 2020 and the comparative figures are restated.

The Group's new reporting segments are as follows:

1. Hong Kong & Macau
2. Non-Hong Kong & Macau

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, non-lease-related finance costs, fair value gain/loss on an investment property and unallocated expenses are excluded from this measurement.

Segment assets exclude an investment property, equity investments 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, equity investments 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 HK\$'000	Non- Hong Kong & Macau HK\$'000	Total HK\$'000
For the six months ended 30 September 2020 (Unaudited)			
Segment revenue:			
Sales to external customers	148,215	22,432	170,647
Intersegment sales	28	–	28
	<u>148,243</u>	<u>22,432</u>	<u>170,675</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(28)
Revenue			<u>170,647</u>
Segment results:	(20,644)	2,778	(17,866)
<i>Reconciliation:</i>			
Interest income			444
Finance costs (other than interest on lease liabilities)			(30)
Fair value loss on an investment property			(2,200)
Unallocated expenses, net			<u>(18,755)</u>
Loss before tax			<u>(38,407)</u>
Other segment information:			
Capital expenditure*	1,902	–	1,902
Unallocated capital expenditure*			113
Total capital expenditure*			<u>2,015</u>
Depreciation of property, plant and equipment	6,204	289	6,493
Depreciation of right-of-use assets	55,588	–	55,588
Unallocated depreciation			<u>2,420</u>
Total depreciation			<u>64,501</u>
As at 30 September 2020 (Unaudited)			
Segment assets:	401,523	82,301	483,824
<i>Reconciliation:</i>			
Investment property			15,700
Deferred tax assets			500
Tax recoverable			2,740
Unallocated assets			<u>175,158</u>
Total assets			<u>677,922</u>
Segment liabilities:	281,026	9,109	290,135
<i>Reconciliation:</i>			
Deferred tax liabilities			630
Tax payable			1,416
Unallocated liabilities			<u>8,797</u>
Total liabilities			<u>300,978</u>
Segment non-current assets:	221,904	510	222,414
<i>Reconciliation:</i>			
Investment property			15,700
Deferred tax assets			500
Unallocated non-current assets			<u>104,315</u>
Total non-current assets			<u>342,929</u>

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

3. OPERATING SEGMENT INFORMATION (continued)

	Hong Kong & Macau (Restated) HK\$'000	Non- Hong Kong & Macau (Restated) HK\$'000	Total HK\$'000
For the six months ended 30 September 2019 (Unaudited)			
Segment revenue:			
Sales to external customers	294,411	116,392	410,803
Intersegment sales	9,934	17,768	27,702
	304,345	134,160	438,505
<i>Reconciliation:</i>			
Elimination of intersegment sales			(27,702)
Revenue			410,803
Segment results:	(29,227)	(42,708)	(71,935)
<i>Reconciliation:</i>			
Interest income			24
Fair value loss on an investment property			(1,000)
Unallocated expenses, net			(25,808)
Loss before tax			(98,719)
Other segment information:			
Capital expenditure*	9,108	3,804	12,912
Unallocated capital expenditure*			1,209
Total capital expenditure*			14,121
Depreciation of property, plant and equipment	9,879	10,384	20,263
Depreciation of right-of-use assets	92,178	18,093	110,271
Unallocated depreciation			3,032
Total depreciation			133,566
As at 31 March 2020 (Audited)			
Segment assets:	600,061	104,273	704,334
<i>Reconciliation:</i>			
Investment property			17,900
Deferred tax assets			650
Tax recoverable			2,846
Unallocated assets			162,992
Total assets			888,722
Segment liabilities:	322,625	19,287	341,912
<i>Reconciliation:</i>			
Deferred tax liabilities			2,320
Tax payable			991
Unallocated liabilities			7,540
Total liabilities			352,763
Segment non-current assets:	292,594	820	293,414
<i>Reconciliation:</i>			
Investment property			17,900
Deferred tax assets			650
Unallocated non-current assets			106,819
Total non-current assets			418,783

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

4. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sale of garment products and accessories transferred at a point in time	<u>170,647</u>	<u>410,803</u>
Disaggregated revenue information		
Segments		
Geographical markets		
Hong Kong & Macau	148,215	294,411
Non-Hong Kong & Macau	<u>22,432</u>	<u>116,392</u>
Total revenue from contracts with customers	<u>170,647</u>	<u>410,803</u>

Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of garment products and accessories

The Group sells garment products and accessories directly to retail customers via retail stores, department stores and internet. The performance obligation is satisfied when the product is transferred to the customers upon delivery of goods. Payment of the transaction price is due immediately when the customers purchase the goods. The payment is usually settled in cash or using credit cards.

The Group also sells goods to wholesalers. The performance obligation is satisfied when control of the products has been transferred, being when the products are delivered to the wholesalers and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. The payment is generally due within one to two months from delivery, except for certain wholesalers, where payment in advance is normally required.

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other income		
Bank interest income	444	24
Rental income	287	340
Government grants*	12,951	—
Others	<u>138</u>	<u>197</u>
	<u>13,820</u>	<u>561</u>

* Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. There were no unfulfilled conditions or other contingencies attaching to the government grants that had been recognised by the Group.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest on lease liabilities	5,565	9,326
Other interest expenses	30	–
	<u>5,595</u>	<u>9,326</u>

6. LOSS BEFORE TAX

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

	Six months ended 30 September 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Cost of inventories sold*	66,411	170,043
Provision/(reversal of provision) for inventories, net*	(7,066)	850
Depreciation of property, plant and equipment	8,060	23,295
Depreciation of right-of-use assets	56,441	110,271
Minimum lease payments under operating leases	–	10,315
Lease payments for short term leases and contingent rents not included in the measurement of lease liabilities	12,712	4,084
Rent concessions related to COVID-19	(18,204)	–
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and other benefits	44,558	93,328
Pension scheme contributions	1,669	5,718
	<u>46,227</u>	<u>99,046</u>
Other expenses:		
Fair value loss on an investment property	2,200	1,000
Loss on disposal of items of property, plant and equipment, net	3,381	2,308
Loss on disposal of trademarks	2	–
Amortisation of intangible assets	50	62
Write-off of deposits	7,987	2,784
Write-off/(write-back) of right-of-use assets, net	(7,312)	2,151
Impairment of items of property, plant and equipment**	157	454
Impairment of right-of-use assets**	12,216	–
Foreign exchange losses, net	465	338
	<u>19,146</u>	<u>9,097</u>

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

** The Directors considered that certain property, plant and equipment and right-of-use assets of the Group were subject to impairment loss because cash-generating units of these property, plant and equipment and right-of-use assets were non-performing and suffered from substantial losses for the period under review. Impairment provisions on property, plant and equipment and right-of-use assets of HK\$157,000 (2019: HK\$454,000) and HK\$12,216,000 (2019: Nil), respectively, were recognised in profit or loss to write down the carrying amounts of these items to their recoverable amount of nil as at 30 September 2020 (31 March 2020: Nil).

7. INCOME TAX

Hong Kong profit tax has been provided at a rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2020. 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% (2019: 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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax charge/(credit), net		
– Hong Kong	600	292
– Mainland China	(94)	(722)
– Elsewhere	200	(197)
Deferred tax credit, net	(1,540)	(2,896)
Total tax credit for the period, net	(834)	(3,523)

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\$37,573,000 (2019: HK\$95,196,000) and the weighted average number of ordinary shares of 367,380,000 (2019: 367,380,000) in issue during the six months ended 30 September 2020.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2020 and 2019.

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

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss attributable to equity holders of the parent, used in the basic loss per share calculation	37,573	95,196
	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. DIVIDENDS

A final and a special dividend of HK\$124,909,000 in aggregate for the year ended 31 March 2020 (2019: HK\$22,043,000) were paid in September 2020.

On 23 November 2020, the Board declared a special dividend of 12 HK cents per ordinary share, in respect of the major transaction disclosed in the circular dated 20 November 2020, to shareholders whose names appear on the register of members of the Company on Thursday, 10 December 2020. The special dividend will be payable on or before Friday, 18 December 2020.

In addition, the Board declared an interim dividend of 2.5 HK cents (2019: Nil) per ordinary share, in respect of the six months ended 30 September 2020, to the shareholders whose names appear on the register of members of the Company on Friday, 18 December 2020. The interim dividend will be payable on or before Tuesday, 29 December 2020.

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 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Within 90 days	8,664	11,171
91 to 180 days	14	414
181 to 365 days	42	46
	<u>8,720</u>	<u>11,631</u>

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 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Within 90 days	8,146	3,846
91 to 180 days	–	178
181 to 365 days	34	–
Over 365 days	39	27
	<u>8,219</u>	<u>4,051</u>

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	As at
	30 September	31 March
	2020	2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Issued and fully paid:		
367,380,000 (31 March 2020: 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 2020. 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	As at
	30 September	31 March
	2020	2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Guarantees given in lieu of utility and property rental deposits	769	3,887

In addition, the Group early terminated certain leases for properties in prior years and during the period under review. 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 ARRANGEMENT

The Group as a lessor

The Group leases its investment property which is an industrial property in Hong Kong under an operating lease arrangement. The terms of the lease require the tenant to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the period under review was HK\$287,000 (2019: HK\$340,000), details of which are included in Note 4 to the Interim Financial Statements.

As 30 September 2020, the undiscounted lease payments receivable by the Group in future periods under a non-cancellable operating lease with its tenant is as follows:

	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000
Within one year	93	634
After one year but within two years	—	56
	<u>93</u>	<u>690</u>

16. COMMITMENT

The Group had no material capital commitment contracted, but not provided for as at 30 September 2020 (31 March 2020: Nil).

17. PLEDGE OF ASSETS

As at 30 September 2020, the Group's general banking facilities were secured by certain of its time deposits of about HK\$15,600,000.

As at 31 March 2020, the Group's general banking facilities were secured by certain of its property, plant and equipment, right-of-use assets and an investment property situated in Hong Kong, which had aggregate carrying values of approximately HK\$3,407,000, HK\$1,576,000 and HK\$17,900,000, respectively.

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:

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Rental income	–	4
Computer system maintenance charges	<u>457</u>	<u>285</u>

- (b) Compensation of key management personnel of the Group

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	2,449	2,462
Post-employment benefits	<u>48</u>	<u>39</u>
Total compensation paid to key management personnel	<u>2,497</u>	<u>2,501</u>

19. EVENT AFTER THE REPORTING PERIOD

On 18 September 2020, the Group entered into provisional sale and purchase agreements with an independent third party to sell properties situated in Hong Kong for an aggregate cash consideration of HK\$68,480,000. The transactions were completed on 20 November 2020 and the Group recorded a gain on disposal of approximately HK\$47,400,000 (before any related expense) upon completion of the transactions.

20. COMPARATIVE AMOUNTS

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

21. 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 27 November 2020.

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 2020, the Group had a total of 75 self-managed offline shops in operation (31 March 2020: 102).

	As at 30 September 2020	As at 31 March 2020	Changes
Hong Kong & Macau	61	65	–4
Non-Hong Kong & Macau	14	37	–23
TOTAL	75	102	–27

The novel coronavirus outbreak since January 2020 (the "COVID-19") has severely hit not only local retail sectors, but also depressed many economic activities worldwide. The Group continuously experienced severe impact on its sales during the six months ended 30 September 2020. The Group recorded a negative same-store-sales growth rate of about 45% (2019: –19%) for the period under review and the Group's turnover shrank by about 58.5% to approximately HK\$170.6 million (2019: HK\$410.8 million).

To confront with the great challenges, the Group strategically consolidated its retail portfolio in various regions and streamlined its administrative layers to maintain a lean management and operating structure, which effectively slashed operating costs and facilitated rapid responses to the markets. Besides, the Group received certain anti-epidemic subsidies granted by The Government of Hong Kong Special Administrative Region and The Government of Macau Special Administrative Region of about HK\$13.0 million in aggregate during the six months ended 30 September 2020. As a result, the Group's net loss was greatly narrowed to about HK\$37.6 million (2019: HK\$95.2 million) despite the plummet in sales.

Hong Kong & Macau

The Hong Kong and Macau retail operations make up the largest operating segment of the Group. For the six months ended 30 September 2020, the segment accounted for about 86.9% (2019: 71.7%) of the Group's turnover. Resulting from the adverse impact of the COVID-19 pandemic, the Group recorded a same-store-sales growth of about -47% (2019: -15%). The turnover of the segment declined by about 49.7% to about HK\$148.2 million for the period under review (2019: HK\$294.4 million).

The pandemic of COVID-19 has seriously eroded the retail consumption in Hong Kong and Macau. In Hong Kong, the health emergency triggered the government to impose a series of social-distancing measures and travel restrictions, which unavoidably impaired retail sentiment and stifled customer traffic. There was slowly recovering on the Group's retail performance upon abated epidemic situations in May to June 2020. Unfortunately, the third wave of massive local coronavirus inflections induced stricter social-distancing measures, including but not limited to the banning of evening dine-in services for nearly two months since mid-July 2020. Then the local customer traffic and leisure shopping activities were deeply reduced. Therefore, the Group's same-store-sales growth in Hong Kong further deteriorated from about -39% in the second quarter of 2020 to about -48% in the third quarter of 2020.

In Macau, the sales performance of the Group was even worse. Although the coronavirus pandemic was less serious in Macau as compared to many regions, the travel restrictions, border controls and quarantine arrangement among countries and regions have adversely affected this tourist city. Resulting from negligible inbound travels to the city and plummet in customer traffic for shopping and leisure, the Group recorded a drastic drop of about 57% in Macau's same-store-sales for the six months ended 30 September 2020.

In view of the very difficult operating environment during the period under review, the Group took both inventory as well as cost control measures in the highest priority. The Group greatly cut seasonal merchandise procurement and continued to launch short-term mega outlets in key shopping areas in Hong Kong to accelerate stock clearance. The Group also proactively pursued for reasonable rent concessions and restructured lease arrangements with landlords for more flexible terms. In addition, the Group closed certain heavily loss-making stores in Hong Kong and Macau to retain its financial capacity. Accordingly, the segmental loss was reduced to about HK\$20.6 million (2019: HK\$29.2 million) for the six months ended 30 September 2020. As at 30 September 2020, the Group operated 61 (31 March 2020: 65) self-managed retail shops in Hong Kong and Macau.

Non-Hong Kong & Macau

The combined geographical unit is mostly contributed by the Group's retail operations in Taiwan and Mainland China. The segmental sales for the six months ended 30 September 2020 dropped significantly as well by about 80.8% to about HK\$22.4 million (2019: HK\$116.4 million). The slump in sales mainly resulted from (1) reduction in more than half number of retail stores to 14 as at 30 September 2020 (31 March 2020: 37) to cut substantially loss-making stores/counters; and (2) further decline in same-store-sales of about 28% (2019: -28%) during the period under review. The sluggish retail climate under the COVID-19 pandemic has unavoidably hampered the sales performance in various regions. However, the Group has cautiously controlled its operating costs and refined its retail business to a more manageable scale. In addition, in view of great uncertainty imposed by the COVID-19 pandemic, the Group has also suspended all new investment projects tentatively until the operating environment stably improved. As a result, the segment successfully resumed profit of about HK\$2.8 million (2019: segmental loss of about HK\$42.7 million) for the six months ended 30 September 2020.

FINANCIAL REVIEW

Turnover and Segment Information

Turnover of the Group declined by about 58.5% to approximately HK\$170.6 million (2019: HK\$410.8 million) for the six months ended 30 September 2020. The Group's same-store-sales growth also deteriorated to about -45% (2019: -19%) for the period under review. Hong Kong and Macau segment remains the key operating segment of the Group's retail business, accounting for approximately 86.9% (2019: 71.7%) of the Group's turnover. However, resulting from the coronavirus pandemic, the same-store-sales of the regions declined by about 47% (2019: -15%) and the segmental sales slumped. 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 reduced by about 53.6% to approximately HK\$111.3 million (2019: HK\$239.9 million) for the six months ended 30 September 2020, while the gross margin improved to about 65.2% (2019: 58.4%). In view of lesser inventory pressure, the Group refined its marketing strategies by adopting more non-price promotions and bundle sales instead of too extensive discount offering, which helped to improve the gross margin generally during the period under review. In addition, with effective clearance of aged and slow-moving inventories, the Group recorded a net write-back of provision for inventories of about HK\$7.1 million (2019: net provision of HK\$0.9 million).

Operating Expenses and Cost Control

The Group was cautiously managing expenses and its overall operating expenses was trimmed by about 51.8% to approximately HK\$163.5 million (2019: HK\$339.2 million) for the six months ended 30 September 2020.

Rental cost reduction is the top priority. The Group has proactively striven for rent concessions and restructured certain lease arrangements with more flexible terms. Also, the Group regularly reviewed the performance on each retail store and promptly revamped or eliminated any loss-making stores. At the same time, the Group was cautious in identifying appropriate locations to re-allocate certain shops to less costly locations to strike a balance between prospective sales opportunities and cost efficiency. Lease expenses (including rental expenses, depreciation of right-of-use assets and related interest on lease liabilities) for the six months ended 30 September 2020 sharply decreased by about 57.8% to about HK\$56.5 million (2019: HK\$134.0 million), which accounted for about 34.6% (2019: 39.5%) of the Group's total operating expenses. To attain a lighter 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 essential. Regular review on work procedures and performance is in place to enhance efficiency. Resulting from the closure of the Group's loss-making retail stores and a series of cost-saving measures, the total number of staff declined to 356 as at 30 September 2020 (31 March 2020: 543). The staff cost was further sacked by about 53.3% to approximately HK\$46.2 million (2019: HK\$99.0 million) during the period under review.

Depreciation of property, plant and equipment dropped to approximately HK\$8.1 million (2019: HK\$23.3 million) for the period under review. Marketing and advertising expenses were trimmed by about 76.5% to about HK\$3.2 million (2019: HK\$13.6 million), representing about 1.9% (2019: 3.3%) of the Group's turnover. The Group spent wisely on key brands and products to capture optimum promotional benefits.

The Group's finance costs for the six months ended 30 September 2020 mostly consisted of interest on lease liabilities of about HK\$5.6 million (2019: HK\$9.3 million).

Net Loss

The Group's net loss for the six months ended 30 September 2020 was greatly narrowed to about HK\$37.6 million (2019: HK\$95.2 million). Though it was tough to operate under the pandemic of COVID-19, the Group successfully reduced losses and gradually improved its competitiveness through properly responding to the markets challenges and promptly lightening its operating leverage.

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 from 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 2020, the Group had net assets of approximately HK\$376.9 million (31 March 2020: HK\$536.0 million), comprising non-current assets of approximately HK\$342.9 million (31 March 2020: HK\$418.8 million), net current assets of approximately HK\$131.0 million (31 March 2020: HK\$264.6 million) and non-current liabilities of approximately HK\$97.0 million (31 March 2020: HK\$147.4 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2020, the Group had cash and bank balances (including pledged deposits) of approximately HK\$203.5 million (31 March 2020: HK\$322.2 million). At the end of the reporting period, the Group had aggregate banking facilities of approximately HK\$10.5 million (31 March 2020: HK\$54.0 million) comprising an interest-bearing bank overdraft, revolving loans as well as import facilities, of which approximately HK\$10.5 million had not been utilised (31 March 2020: HK\$49.3 million). The Group had no bank borrowing as at 30 September 2020 (31 March 2020: 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 2020: 0%).

CASH FLOWS

For the six months ended 30 September 2020, net cash flows from operating activities was about HK\$41.6 million (2019: HK\$76.5 million), which was mainly attributable to continuous reduction in inventories, in particular, the slow-moving items. In view of difficult market situations, the Group suspended almost all of new capital expenditures. Hence, the net cash flows used in investing activities greatly reduced to about HK\$2.0 million (2019: HK\$14.1 million). Net cash flows used in financing activities was about HK\$162.3 million (2019: HK\$121.1 million) was mainly attributable to the payment of a final and a special dividend of about HK\$124.9 million in aggregate in respect of the year ended 31 March 2020 to return redundant cash to shareholders.

SECURITY

As at 30 September 2020, the Group's general banking facilities were secured by certain of its time deposits of about HK\$15.6 million.

As at 31 March 2020, the Group's general banking facilities were secured by certain of its property, plant and equipment, right-of-use assets and an investment property situated in Hong Kong, which had aggregate carrying values of approximately HK\$3.4 million, HK\$1.6 million and HK\$17.9 million, respectively.

COMMITMENT

The Group had no material capital commitments contracted, but not provided for as at 30 September 2020 (31 March 2020: Nil).

CONTINGENT LIABILITIES

As at 30 September 2020, the Group had contingent liabilities in respect of guarantees given in lieu of utility and property rental deposits amounting to approximately HK\$0.8 million (31 March 2020: HK\$3.9 million).

In addition, the Group early terminated certain leases for properties in prior years and during the period under review. 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 356 (31 March 2020: 543) employees as at 30 September 2020. To attract and retain high quality staff, the Group provided competitive remuneration packages with performance bonuses, mandatory provident fund and insurance 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.

EVENT AFTER THE REPORTING PERIOD

On 18 September 2020, the Group entered into provisional sale and purchase agreements with an independent third party to sell properties situated in Hong Kong for an aggregate cash consideration of about HK\$68.5 million. The transactions were completed on 20 November 2020 and the Group recorded a gain on disposal of approximately HK\$47.4 million (before any related expense) upon completion of the transactions.

PROSPECTS

Retailers across Hong Kong and other regions globally have experienced unprecedented difficulties in their operations in 2020, mainly resulting from the COVID-19 pandemic. The Group expects to encounter strong headwinds in the short-term and a prolonged path to market recovery.

Looking forward, in view of the greater risks on global economic growth created by the COVID-19 pandemic and other macroeconomic factors, the Group intends to maintain a lean operational and administrative structure and to re-focus resources on its familiar markets, including Hong Kong and Macau. The Group will remain cautious in controlling operating expenses, in particular its rentals. The Group has proactively negotiated with landlords to strive for reasonable rental concessions and more flexible lease arrangements. At the same time, the Group will continue to streamline and consolidate under-performing retail stores and operations. As at the date of this announcement, the Group has sufficient cash on hand to meet current business needs and the Directors expects that the Group's capital expenditures will be limited in the year ending 31 March 2021 until a clearer economic recovery.

CHANGES IN DIRECTORSHIP AND OTHER CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes 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 2020 up to the date of this announcement are set out below:

Name of Director	Details of changes
Madam Lee Yuk Ming	Retired as an executive director and an authorised representative of the Company with effect from 18 August 2020

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 2020.

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 2020.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in of the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2020 except for not having a separate chairman (the “**Chairman**”) and chief executive officer (the “**CEO**”) of the Company. Both positions had held by Mr. Wong Yui Lam (“**Mr. Wong**”) from 1 April 2020 to 7 May 2020.

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive 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 structure provided the Group with strong and consistent leadership which facilitated the development of the Group’s business strategies and execution of its business plans in the most efficient and effective manner. The Directors believe that it was in the best interest of the Company and its shareholders as a whole.

In order to further enhance the corporate governance standard of the Group and fully comply with code provision A.2.1 of the CG Code, Mr. Wong has ceased the position of the CEO with effect from 7 May 2020. After that, Mr. Wong continues to be the Chairman and an executive Director. Meanwhile, Mr. Yeung Yat Hang, a current executive Director, has been appointed as the CEO with effect from 7 May 2020.

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 the accounting principles and practices adopted by the Group, including the review of the Interim Financial Statements for the six months ended 30 September 2020, 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 announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT 2020

This interim results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (the “**HKEx**”) (www.hkexnews.hk) and the Company (www.bauhaus.com.hk). The Interim Report 2020 will be despatched to the shareholders of the Company and will be published on the websites of the HKEx and the Company in due course.

DIVIDENDS

On 23 November 2020, the Board declared a special dividend of 12 HK cents per ordinary share, in respect of the major transaction disclosed in the circular dated 20 November 2020, to shareholders whose names appear on the register of members of the Company on Thursday, 10 December 2020. The special dividend will be payable on or before Friday, 18 December 2020.

In addition, the Board declared an interim dividend of 2.5 HK cents (2019: Nil) per ordinary share, in respect of the six months ended 30 September 2020, to the shareholders whose names appear on the register of members of the Company on Friday, 18 December 2020. The interim dividend will be payable on or before Tuesday, 29 December 2020.

CLOSURE OF REGISTER OF MEMBERS

The record date for entitlement to the special dividend is scheduled on Thursday, 10 December 2020. For determining the entitlement to the special dividend, the register of members of the Company will be closed from Tuesday, 8 December 2020 to Thursday, 10 December 2020, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the special 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, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 7 December 2020.

The record date for entitlement to the interim dividend is scheduled on Friday, 18 December 2020. For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Wednesday, 16 December 2020 to Friday, 18 December 2020, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim 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 Tuesday, 15 December 2020.

APPRECIATION

On behalf of the Board, 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 employees for their dedication and contribution.

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

Hong Kong, 27 November 2020

BOARD OF DIRECTORS

As at the date of this announcement, the board of Directors comprises three executive Directors, namely Mr. Wong Yui Lam, Madam Tong She Man, Winnie 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.