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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 2021**

➤ Turnover of the Group declined by about 31.6% to approximately HK\$116.7 million (2020: HK\$170.6 million).

➤ Sales by operating segments were as follows:

	Six months ended 30 September 2021 HK\$ million	Six months ended 30 September 2020 HK\$ million	Changes
Hong Kong & Macau	116.6	148.2	-21.3%
Non-Hong Kong & Macau	0.1	22.4	-99.6%
Total	116.7	170.6	-31.6%

➤ Gross profit decreased to approximately HK\$70.8 million (2020: HK\$111.3 million) and the gross margin dropped to about 60.7% (2020: 65.2%).

➤ The Group recorded a net profit for the six months ended 30 September 2021 of about HK\$34.1 million (2020: net loss of HK\$37.6 million).

➤ Basic and diluted earnings per share was about 9.3 HK cents (2020: loss per share of 10.2 HK cents).

➤ An interim dividend and the third special dividend of 2.5 HK cents (2020: 2.5 HK cents) and 30.5 HK cents, 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 2021, 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 2021

		Six months ended	
		30 September	
		2021	2020
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$’000	HK\$’000
REVENUE	4	116,747	170,647
Cost of sales		<u>(45,925)</u>	<u>(59,345)</u>
GROSS PROFIT		70,822	111,302
Other income and gains	4	58,910	21,132
Selling and distribution expenses		(72,039)	(110,684)
Administrative expenses		(20,285)	(28,104)
Other expenses	6	(984)	(26,458)
Finance costs	5	<u>(2,233)</u>	<u>(5,595)</u>
PROFIT/(LOSS) BEFORE TAX	6	34,191	(38,407)
Income tax (expense)/credit	7	<u>(126)</u>	<u>834</u>
PROFIT/(LOSS) FOR THE PERIOD			
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		<u>34,065</u>	<u>(37,573)</u>
Other comprehensive (loss)/income			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(1,533)</u>	<u>3,467</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD			
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		<u>32,532</u>	<u>(34,106)</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		<u>9.3 HK cents</u>	<u>(10.2) HK cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		As at 30 September 2021 <i>(Unaudited)</i> <i>HK\$'000</i>	As at 31 March 2021 <i>(Audited)</i> <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		15,220	39,581
Right-of-use assets		55,261	163,912
Intangible assets		142	194
Equity investment at fair value through other comprehensive income		–	–
Rental, utility and other non-current deposits		29,528	32,423
Deferred tax assets		800	970
		100,951	237,080
NON-CURRENT ASSETS			
CURRENT ASSETS			
Inventories		71,374	69,934
Trade receivables	10	3,932	2,900
Prepayments, deposits and other receivables		10,956	6,498
Property held for sale	11	7,814	–
Tax recoverable		268	596
Pledged time deposit		15,600	15,600
Cash and cash equivalents		155,034	266,695
		264,978	362,223
Total current assets			
CURRENT LIABILITIES			
Trade payables	12	8,141	1,504
Other payables and accruals		30,543	21,705
Lease liabilities		51,303	74,247
Tax payable		865	1,179
		90,852	98,635
Total current liabilities			
NET CURRENT ASSETS		174,126	263,588
TOTAL ASSETS LESS CURRENT LIABILITIES		275,077	500,668
NON-CURRENT LIABILITIES			
Lease liabilities		10,998	52,616
Deferred tax liabilities		350	100
		11,348	52,716
NON-CURRENT LIABILITIES			
NET ASSETS		263,729	447,952
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	13	36,738	36,738
Reserves		226,991	411,214
		263,729	447,952
TOTAL EQUITY		263,729	447,952

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2021

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) primarily in Hong Kong and Macau. The Group's turnover is mostly contributed by its major in-house labels like "SALAD", "TOUGH", "80/20" and some seasonal in-house design brands as well as certain 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, 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 2021 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 2021, 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 2021 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 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16

*Interest Rate Benchmark Reform –
Phase 2*

The adoption of the above Standards has had no significant financial effect on these Interim Financial Statements.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

In addition, on 1 April 2020, the Group has early applied Amendment to HKFRS 16 “COVID-19-Related Rent Concessions beyond 30 June 2021” which originally becomes effective for the Group for financial year beginning on or after 1 April 2021. The amendment extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. A lessee shall apply the amendment retrospectively, recognising the cumulative effect of initial applying the amendment as an adjustment to the opening balance of retained profits (or other component of equity, as appropriate) at the beginning of the annual period in which the lessee first applies the amendment. Earlier application is permitted.

The Group has elected to early adopt the amendment and applied the practical expedient to all qualifying COVID-19-Related Rent Concessions granted to the Group during the six months ended 30 September 2021. Consequently, rent concessions received have been recognised approximately HK\$3,820,000 as negative variable lease payments in profit or loss in the period in which the event or condition that triggers those payments occurred.

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.

The Group’s 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 loss on an investment property, gain on disposal of a property, gain on disposal of a subsidiary and unallocated expenses are excluded from this measurement.

Segment assets exclude equity investments at fair value through other comprehensive income, deferred tax assets, property held for sale, 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 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 2021 (Unaudited)			
Segment revenue:			
Sales to external customers	116,677	70	<u>116,747</u>
Segment results:	(3,584)	3,056	(528)
<i>Reconciliation:</i>			
Interest income			34
Finance costs (other than interest on lease liabilities)			(189)
Gain on disposal of a property			33,680
Gain on disposal of a subsidiary			20,588
Unallocated expenses, net			<u>(19,394)</u>
Profit before tax			<u>34,191</u>
Other segment information:			
Capital expenditure*	970	–	970
Unallocated capital expenditure*			<u>15</u>
Total capital expenditure*			<u>985</u>
Depreciation of property, plant and equipment	3,427	–	3,427
Unallocated depreciation			<u>1,142</u>
Total depreciation			<u>4,569</u>
As at 30 September 2021 (Unaudited)			
Segment assets:	209,063	4,172	213,235
<i>Reconciliation:</i>			
Deferred tax assets			800
Property held for sale			7,814
Tax recoverable			268
Unallocated assets			<u>143,812</u>
Total assets			<u>365,929</u>
Segment liabilities:	81,060	1,423	82,483
<i>Reconciliation:</i>			
Deferred tax liabilities			350
Tax payable			865
Unallocated liabilities			<u>18,502</u>
Total liabilities			<u>102,200</u>
Segment non-current assets:	78,196	118	78,314
<i>Reconciliation:</i>			
Deferred tax assets			800
Unallocated non-current assets			<u>21,837</u>
Total non-current assets			<u>100,951</u>

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

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			<u>(28)</u>
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*			<u>113</u>
Total capital expenditure*			<u>2,015</u>
Depreciation of property, plant and equipment	6,204	289	6,493
Unallocated depreciation			<u>1,567</u>
Total depreciation			<u>8,060</u>
As at 31 March 2021 (Audited)			
Segment assets:			
<i>Reconciliation:</i>			
Deferred tax assets			970
Tax recoverable			596
Unallocated assets			<u>187,026</u>
Total assets			<u>599,303</u>
Segment liabilities:			
<i>Reconciliation:</i>			
Deferred tax liabilities			100
Tax payable			1,179
Unallocated liabilities			<u>2,789</u>
Total liabilities			<u>151,351</u>
Segment non-current assets:			
<i>Reconciliation:</i>			
Deferred tax assets			970
Unallocated non-current assets			<u>96,812</u>
Total non-current assets			<u>237,080</u>

* 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	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Sale of garment products and accessories transferred at a point in time	116,747	170,647
	<hr/>	<hr/>
Disaggregated revenue information		
Segments		
Geographical markets		
Hong Kong & Macau	116,677	148,215
Non-Hong Kong & Macau	70	22,432
	<hr/>	<hr/>
Total revenue from contracts with customers	116,747	170,647
	<hr/>	<hr/>
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 30 to 60 days from delivery, except for certain wholesalers, where payment in advance is normally required.

4. REVENUE, OTHER INCOME AND GAINS (continued)

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other income		
Government grants	–	12,951
Bank interest income	34	444
Rental income	–	287
Others	36	138
	<hr/>	<hr/>
	70	13,820
	<hr/>	<hr/>
Gains		
Gain on disposal of items of property, plant and equipment and right-of-use assets, net	32,871	–
Gain on disposal of a subsidiary	20,588	–
Write-back of lease liabilities, net	4,455	7,312
Write-back of rental deposits	425	–
Foreign exchange gains, net	501	–
	<hr/>	<hr/>
	58,840	7,312
	<hr/>	<hr/>
	58,910	21,132
	<hr/>	<hr/>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on lease liabilities	2,044	5,565
Other interest expenses	189	30
	<hr/>	<hr/>
	2,233	5,595
	<hr/>	<hr/>

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold*	42,882	66,411
Provision/(reversal of provision) for inventories, net*	3,043	(7,066)
Depreciation of property, plant and equipment	4,569	8,060
Depreciation of right-of-use assets	34,467	56,441
Lease payments for short term leases and contingent rents not included in the measurement of lease liabilities	8,503	12,712
COVID-19-Related rent concessions	(3,820)	(18,204)
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and other benefits	28,034	44,558
Pension scheme contributions	370	1,669
	<u>28,404</u>	<u>46,227</u>
Gain on disposal of items of property, plant and equipment and right-of-use assets, net	(32,871)	–
Gain on disposal of a subsidiary	(20,588)	–
Write-back of lease liabilities, net	(4,455)	(7,312)
Write-back of rental deposits	(425)	–
Foreign exchange gains, net	(501)	–
Other expenses:		
Fair value loss on an investment property	–	2,200
Loss on disposal of items of property, plant and equipment, net	–	3,381
Loss on disposal of trademarks	1	2
Amortisation of intangible assets	51	50
Write-off of deposits	–	7,987
Impairment of items of property, plant and equipment**	–	157
Impairment of right-of-use assets**	932	12,216
Foreign exchange losses, net	–	465
	<u>984</u>	<u>26,458</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\$nil (2020: HK\$157,000) and HK\$932,000 (2020: HK\$12,216,000), 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 2021 (31 March 2021: Nil).

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2021, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying entities are taxed at 8.25%, and the profits above HK\$2,000,000 are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021. 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	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax charge, net		
– Hong Kong	106	600
– Elsewhere	–	106
Deferred tax charge/(credit), net	20	(1,540)
	<hr/>	<hr/>
Total tax expense/(credit) for the period, net	126	(834)

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share is based on the profit for the period attributable to equity holders of the parent of HK\$34,065,000 (2020: loss of HK\$37,573,000) and the weighted average number of ordinary shares of 367,380,000 (2020: 367,380,000) in issue during the six months ended 30 September 2021.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2021 and 2020.

The calculation of the basic earnings/(loss) per share is based on:

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss)		
Profit/(loss) attributable to equity holders of the parent, used in the basic earnings/(loss) per share calculation	34,065	(37,573)
	<hr/>	<hr/>
	Number of Shares	
Shares		
Weighted average number of ordinary shares in issue during the period under review used in the basic earnings/(loss) per share calculation	367,380,000	367,380,000
	<hr/>	<hr/>

9. DIVIDENDS

A final and a special dividend of HK\$170,832,000 in aggregate for the year ended 31 March 2021 (2020: HK\$124,909,000) were paid on 3 September 2021.

On 3 September 2021, the Board declared the first special dividend of 12.5 HK cents per ordinary share for the year ending 31 March 2022, in respect of the discloseable transaction announced on 3 June 2021, to shareholders whose names appear on the register of members of the Company on 21 September 2021. The first special dividend had been paid on 30 September 2021.

Subsequently, on 6 October 2021, the Board declared the second special dividend of 18.5 HK cents per ordinary share for the year ending 31 March 2022, in respect of the discloseable transaction announced on 14 September 2021, to shareholders whose names appear on the register of members of the Company on 25 October 2021. The second special dividend had been paid on 2 November 2021.

In addition, the Board declared an interim dividend of 2.5 HK cents (2020: 2.5 HK cents) per ordinary share, in respect of the six months ended 30 September 2021 and the third special dividend of 30.5 HK cents per ordinary share, in respect of the year ending 31 March 2022 (aggregately 33.0 HK cents per ordinary share), to the shareholders whose names appear on the register of members of the Company on Tuesday, 14 December 2021. The interim and the third special dividend will be payable on or before Wednesday, 22 December 2021.

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 loss allowance, is as follows:

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Within 90 days	3,929	2,862
91 to 180 days	3	38
	<u>3,932</u>	<u>2,900</u>

11. PROPERTY HELD FOR SALE AND EVENT AFTER THE REPORTING PERIOD

On 1 September 2021, the Group announced to dispose its owned head office premise located at the 5th Floor of Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Hong Kong and two spare car parking spaces to an independent third party, Asian Land (Hong Kong) Limited, at a total consideration of HK\$126,000,000 (before any related expenses). Accordingly, the carrying book value as at 1 September 2021 of the respective property, plant and equipment and right-of-use assets of aggregately HK\$7,814,000 has been reclassified to property held for sale (31 March 2021: Nil).

The transaction has been completed on 1 November 2021 and the Group is expected to record a gain on disposal of the respective properties of about HK\$118,186,000 upon completion in the second half of the year ending 31 March 2022.

12. TRADE PAYABLES

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

	As at 30 September 2021 (Unaudited) <i>HK\$'000</i>	As at 31 March 2021 (Audited) <i>HK\$'000</i>
Within 90 days	<u>8,141</u>	<u>1,504</u>

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

13. SHARE CAPITAL

Shares

	Company As at 30 September 2021 (Unaudited) <i>HK\$'000</i>	As at 31 March 2021 (Audited) <i>HK\$'000</i>
Authorised: 2,000,000,000 (31 March 2021: 2,000,000,000) ordinary shares of HK\$0.1 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid: 367,380,000 (31 March 2021: 367,380,000) ordinary shares of HK\$0.1 each	<u>36,738</u>	<u>36,738</u>

Details of the Company's share option scheme and the share options issued under the scheme are included in Note 14 to the Interim Financial Statements.

14. 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 2021 (2020: Nil). As at the date of this announcement, the total number of securities available for issue under the Scheme was 36,738,000, representing 10% of the issued shares of the Company.

15. 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 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Guarantees given for committed lease payments or in lieu of utility and property rental deposits	<u>973</u>	<u>2,467</u>

16. COMMITMENT

The Group had no material capital commitment contracted, but not provided for as at 30 September 2021 (31 March 2021: Nil).

17. PLEDGE OF ASSETS

As at 30 September 2021, the Group's general banking facilities were secured by a time deposit of about HK\$15,600,000 (31 March 2021: HK\$15,600,000).

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:

	Six months ended 30 September 2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Computer system maintenance charges	236	457
Purchases of computer equipment	13	–

(b) Compensation of key management personnel of the Group

Short-term employee benefits	2,095	2,449
Post-employment benefits	37	48
Total compensation paid to key management personnel	<u>2,132</u>	<u>2,497</u>

19. COMPARATIVE AMOUNTS

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

20. 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 26 November 2021.

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) primarily in Hong Kong and Macau. The Group's turnover is mostly contributed by its major in-house labels like "SALAD", "TOUGH", "80/20" and some seasonal in-house design brands as well as certain reputable licensed brands including "SUPERDRY".

As at 30 September 2021, the Group had a total of 50 self-managed offline shops in operation (31 March 2021: 49).

	As at 30 September 2021	As at 31 March 2021	Changes
Hong Kong	40	39	+1
Macau	10	10	–
TOTAL	50	49	+1

The COVID-19 pandemic has raged for nearly two years since early 2020. Though it has brought about severe impact on many economic activities worldwide, people and corporations are gradually adapting to the "new normal" in their daily life and business operations. As a retailer, the Group has also put many efforts to confront with the challenges and to revamp its business strategies and operations with an aim for sustaining its business and resuming its profitability.

The Group had scaled down its retail business and eliminated lots of loss-making stores in previous years and accordingly, the Group recorded a decline in overall turnover to about HK\$116.7 million (2020: HK\$170.6 million) for the six months ended 30 September 2021. Fortunately, the overall same-store-sales growth rate of the Group was gradually stabilised during the period under review to about –11% (2020: –45%). Besides, the Group adopted an asset-light strategy and successfully realised certain of its owned-properties. As a result, the Group recorded substantial gains on disposal of a property and a property-holding subsidiary of aggregately about HK\$54.3 million (2020: Nil) during the period under review. Eventually, the Group resumed net profit of about HK\$34.1 million (2020: net loss of about HK\$37.6 million) for the six months ended 30 September 2021.

Hong Kong & Macau

The Hong Kong and Macau retail operations constitute the core operating segment of the Group. For the six months ended 30 September 2021, the segment accounted for almost all of the Group's turnover (2020: 86.9%). Primarily because of the reduction in number of self-managed offline retail shops, the segmental turnover declined by about 21.3% to about HK\$116.6 million (2020: HK\$148.2 million). As at 31 March 2021, the Group operated 50 (At 30 September 2020: 61; At 31 March 2021: 49) self-managed offline retail shops in Hong Kong and Macau.

The pandemic of COVID-19 has depressed the retail atmosphere in Hong Kong and Macau while the adverse impact seem to be gradually moderated as compared to last year, probably because more effective disease-control measures were in place and the vaccination rate was increasing locally as well as across the globe. In Hong Kong, the Group observed a progressive improvement in its same-store-sales growth from about -19% (2020: -39%) in the first quarter of 2021/22 financial year to about +3% (2020: -48%) in the second quarter of the financial year under review and resulted in a negative growth of about 10% for the six months ended 30 September 2021 (2020: -43%). With a well-controlled pandemic situation in Hong Kong and further fueled by the government's Consumption Voucher Scheme during the period under review, the local retail sentiment has been obviously recovering.

Although the Macau's same-store-sales growth for the first half of the financial year under review also improved in general to about -13% (2020: -57%), the outbreak of certain local COVID-19 cases in August 2021 triggered the Macau government to strictly tighten border controls and quarantine arrangement. As a result, both the local customer traffic and inbound travels were greatly reduced. The internal sales growth in Macau deteriorated from about -11% (2020: -48%) in the first quarter of the financial year under review to about -17% (2020: -64%) in the second quarter.

Sales momentum was still considered fragile and volatile in general. Therefore, the Group still cautiously controlled its operating costs and continued to seek rooms to enhance its efficiency and effectiveness. With substantially lesser loss-making stores in the regions, the segmental loss has been greatly reduced by about 82.5% to about HK\$3.6 million (2020: HK\$20.6 million) for the period under review.

Non-Hong Kong & Macau

In line with the Group's strategy to re-focus on its familiar markets in Hong Kong and Macau and leveraging risks for engaging in overseas markets under the ongoing pandemic, the Group had closed all the segment's physical stores in last financial year. Instead, the Group transformed its business model and intended to reach overseas markets through cyber and social media platforms. During the period under review, it was still exploring and re-establishing appropriate online distribution channels. Therefore, the segmental sales have not yet been significant.

However, resulting mainly from the write-back of lease liabilities of certain subsidiaries in Mainland China and exchange gains arisen from the appreciation of the New Taiwan dollars, the segment recorded a profit before tax of about HK\$3.1 million (2020: HK\$2.8 million) during the six months ended 30 September 2021.

Asset-light strategy and event after the reporting period

After previous years' streamlined operations and structurally lightened operating cost structure of the Group, the Group further adopted an asset-light strategy during the six month ended 30 September 2021 with aims to improve the Group's asset returns and to realise the true value of its assets in general.

On 3 June 2021 and 18 June 2021, the Group entered into a provisional sale and purchase agreement and a formal sale and purchase agreement respectively with an independent third party, Wealthy Linker Trading Limited, to sell a spare warehouse premise located at the 10th Floor of Wofoo Building, Nos. 204-210 Texaco Road, Tsuen Wan, New Territories, Hong Kong at a total consideration of HK\$48.0 million (before any related expenses). The sales of property transaction had been completed on 31 August 2021 and the Group recorded a gain on disposal of the respective property of about HK\$33.7 million in the period under review. (For further details, please refer to the respective announcement published on the website of the Stock Exchange (www.hkex.com.hk) and the Company's website (www.bauhaus.com.hk) on 3 June 2021.)

On 1 September 2021, the Group announced to dispose its owned head office premise located at the 5th Floor of Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Hong Kong and two spare car parking spaces to an independent third party, Asian Land (Hong Kong) Limited, at a total consideration of HK\$126.0 million (before any related expenses). The transaction has been completed on 1 November 2021 and the Group is expected to record a gain on disposal of the respective properties of about HK\$118.2 million upon completion in the second half of the year ending 31 March 2022. (For further details, please refer to the respective circular published on the website of the Stock Exchange (www.hkex.com.hk) and the Company's website (www.bauhaus.com.hk) on 25 October 2021.)

On 14 September 2021, the Group entered into a sale and purchase agreement to (i) sell the entire issued share capital of a wholly-owned subsidiary of the Company (the "**Disposed Subsidiary**"); and (ii) assign a loan owing by the Disposed Subsidiary to the Group on the completion date of the disposal transaction, at an aggregate consideration of HK\$71.0 million. The Disposed Subsidiary was previously a property holding company of the Group, which held a warehouse premise at the 2nd Floor of Wofoo Building, Nos. 204-210 Texaco Road, Tsuen Wan, New Territories, Hong Kong. The transaction had been completed on 30 September 2021 and the Group recorded a gain on disposal of the subsidiary of about HK\$20.6 million in the period under review. (For further details, please refer to the respective announcement published on the website of the Stock Exchange (www.hkex.com.hk) and the Company's website (www.bauhaus.com.hk) on 14 September 2021.)

For the purpose of relocation of the Group's head office and smooth logistic transition, the Group leased back the above properties for a short period ranging from three to six months. As at the date of this announcement, the Directors confirmed that it is not expected to have material adverse impact on the future earnings and operations of the Group as a result of the disposals.

FINANCIAL REVIEW

Turnover and Segment Information

The Group's turnover declined by about 31.6% to approximately HK\$116.7 million (2020: HK\$170.6 million) for the six months ended 30 September 2021. The Group's same-store-sales growth was gradually improved to about -11% (2020: -45%) for the period under review. The decrease in sales was mainly attributable to the enduring impact from the COVID-19 pandemic and strategically streamlined ineffective channels in previous years to cut losses. 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 36.4% to about HK\$70.8 million (2020: HK\$111.3 million) for the six months ended 30 September 2021. The gross margin also dropped to about 60.7% (2020: 65.2%) since no significant write-back of provision for inventories was recorded for the period under review (2020: write-back of HK\$7.1 million).

Operating Expenses and Cost Control

The Group continued to cautiously managed operating expenses during the six months ended 30 September 2021 and its core operating expenses (excluding non-cash write-off, fair value loss on an investment property, loss on disposal and impairment loss) were trimmed by about 39.4% to approximately HK\$94.6 million (2020: HK\$156.2 million) for the period under review.

Rental reduction is the top priority. The Group has proactively striven for rent concessions with landlords and renewed shop leases with more flexible arrangements. In addition, the Group regularly reviewed the performance on each retail store and promptly refined its marketing tactics to boost sales under sluggish retail atmosphere. The Group was cautious in identifying appropriate locations to re-allocate certain shops to more cost-effective sites to strike a balance between sales effectiveness and cost efficiency. Lease expenses (including depreciation of right-of-use assets, lease payment for short term leases and contingent rents, COVID-19-Related rent concessions, as well as interest on lease liabilities) for the period under review were sacked by about 27.1% to about HK\$41.2 million (2020: HK\$56.5 million), which accounted for about 43.6% (2020: 36.2%) of the Group's core operating expenses. To maintain competitive, the Group adopts 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 downsizing of the Group's retail portfolio in previous years and a series of cost-saving measures, the total number of staff reduced to 218 as of 30 September 2021 (2020: 356). The staff cost was cut by about 38.5% to approximately HK\$28.4 million (2020: HK\$46.2 million) during the year under review.

Depreciation of property, plant and equipment decreased by about 43.2% to approximately HK\$4.6 million (2020: HK\$8.1 million) for the period under review. The Group's finance costs for the six months ended 30 September 2021 mostly consisted of interest on lease liabilities of about HK\$2.0 million (2020: HK\$5.6 million).

Non-cash write-off, fair value loss, loss on disposal and impairment loss

In previous years, the Group had proactively streamlined many loss-making retail stores. The restructuring works were materially completed and therefore, the Group incurred lesser non-cash accounting losses during the period under review.

	2021	2020
	<i>HK\$ million</i>	<i>HK\$ million</i>
Loss on disposal of other property, plant and equipment (excluding the gain on disposal of a property of HK\$33.7 million (2020: Nil))	0.8	3.4
Impairment of items of property, plant and equipment	–	0.2
Impairment of right-of-use assets	0.9	12.2
Fair value loss on an investment property	–	2.2
	<u>1.7</u>	<u>18.0</u>

Net Profit

The Group recorded a net profit for the six months ended 30 September 2021 of about HK\$34.1 million (2020: net loss of about HK\$37.6 million). The favourable result was primarily attributable to the combined effect of (i) the gain on disposal of a property of about HK\$33.7 million (2020: Nil); (ii) the gain on disposal of a property-holding subsidiary of about HK\$20.6 million (2020: Nil); and (iii) reduction in number of loss-making stores after previous years' retail portfolio restructuring and effective cost control was in place.

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 2021, the Group had net assets of approximately HK\$263.7 million (31 March 2021: HK\$448.0 million), comprising non-current assets of approximately HK\$100.9 million (31 March 2021: HK\$237.1 million), net current assets of approximately HK\$174.1 million (31 March 2021: HK\$263.6 million) and non-current liabilities of approximately HK\$11.3 million (31 March 2021: HK\$52.7 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2021, the Group had a pledged time deposit and cash and cash equivalents of approximately HK\$15.6 million (31 March 2021: HK\$15.6 million) and HK\$155.0 million (31 March 2021: HK\$266.7 million). At the end of the reporting period, the Group had aggregate banking facilities of approximately HK\$10.0 million (31 March 2021: HK\$10.0 million) comprising an interest-bearing bank overdraft, revolving loans, rental and utility guarantees as well as import facilities, which had not been utilised (31 March 2021: Nil). The Group had no bank borrowings as at 30 September 2021 (31 March 2021: Nil). The Group's gearing ratio at the end of the reporting period, representing a percentage of total interest-bearing bank borrowings to total assets, was zero (31 March 2021: zero).

CASH FLOWS

During the period under review, net cash flows from operating activities reduced by about 45.2% to approximately HK\$22.8 million (2020: HK\$41.6 million), which was mainly attributable to weak sales performance and the streamlined retail operations. The strong net cash flows from investing activities of about HK\$118.3 million (2020: net outflows of HK\$17.6 million) was mainly attributed to the proceeds received from disposal of a property and a property-holding subsidiary during the six months ended 30 September 2021. Net cash flows used in financing activities increased to about HK\$251.3 million (2020: HK\$162.3 million) was mainly due to increase in dividend payments for returning the Group's surplus cash to its shareholders.

SECURITY

As at 30 September 2021, the Group's general banking facilities were secured by a time deposit of about HK\$15.6 million (31 March 2021: HK\$15.6 million).

COMMITMENT

The Group had no material capital commitments contracted, but not provided for as at 30 September 2021 (31 March 2021: Nil).

CONTINGENT LIABILITIES

As at 30 September 2021, the Group had contingent liabilities in respect of guarantees given for committed lease payments or in lieu of utility and property rental deposits amounting to approximately HK\$1.0 million (31 March 2021: HK\$2.5 million).

HUMAN RESOURCES

Including the Directors, the Group had 218 (31 March 2021: 262) employees as at 30 September 2021. 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 have been mostly denominated in Hong Kong dollars, United States dollars 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.

PROSPECTS

The Group promptly refined its strategies to adapt to the "new normal" and to overcome the challenges under post-pandemic environments. Even though past years were very tough for the Group's retail operations, the Group has made certain important strategic moves, structurally enhanced its operating cost structure and eventually managed to resume profitability of the Group.

Looking forward, the Group still expects to encounter turbulence in recovery processes. The Group will maintain a sustainable and profitable offline retail business at an optimal scale and will progressively develop its online and social media distribution channels to fuel its future growth. In addition, the Group will put further efforts to enhance its merchandise mix and to improve its gross margin in the medium term.

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 2021 up to the date of this announcement are set out below:

Name of Director	Details of changes
Dr. Wong Yui Lam	Retired as the Chairman of the Company with effect from 26 November 2021
Madam Tong She Man, Winnie	Elected and appointed as the Chairlady of the Company with effect from 26 November 2021

DIVIDENDS

A final and a special dividend of HK\$170,832,000 in aggregate for the year ended 31 March 2021 (2020: HK\$124,909,000) were paid on 3 September 2021.

On 3 September 2021, the Board declared the first special dividend of 12.5 HK cents per ordinary share for the year ending 31 March 2022, in respect of the discloseable transaction announced on 3 June 2021, to shareholders whose names appear on the register of members of the Company on 21 September 2021. The first special dividend had been paid on 30 September 2021.

Subsequently, on 6 October 2021, the Board declared the second special dividend of 18.5 HK cents per ordinary share for the year ending 31 March 2022, in respect of the discloseable transaction announced on 14 September 2021, to shareholders whose names appear on the register of members of the Company on 25 October 2021. The second special dividend had been paid on 2 November 2021.

In addition, the Board declared an interim dividend of 2.5 HK cents (2020: 2.5 HK cents) per ordinary share, in respect of the six months ended 30 September 2021 and the third special dividend of 30.5 HK cents per ordinary share, in respect of the year ending 31 March 2022 (aggregately 33.0 HK cents per ordinary share), to the shareholders whose names appear on the register of members of the Company on Tuesday, 14 December 2021. The interim and the third special dividend will be payable on or before Wednesday, 22 December 2021.

CLOSURE OF REGISTER OF MEMBERS

The record date for entitlement to the interim and the third special dividends is scheduled on Tuesday, 14 December 2021. For determining the entitlement to the interim and the third special dividends, the register of members of the Company will be closed from Friday, 10 December 2021 to Tuesday, 14 December 2021, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim and the third special dividends, 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 Thursday, 9 December 2021.

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 2021.

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 2021.

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 2021, 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.

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 2021.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT 2021

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 2021 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.

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
Madam Tong She Man, Winnie
Chairlady and Chief Operating Officer

Hong Kong, 26 November 2021

BOARD OF DIRECTORS

As at the date of this announcement, the board of Directors comprises three executive Directors, namely Madam Tong She Man, Winnie, Dr. Wong Yui Lam and Mr. Yeung Yat Hang and three independent non-executive Directors, namely Mr. Chu To Ki, Mr. Mak Wing Kit and Mr. Wong Man Tai.