

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

# **bauhaus**

**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 2022**

➤ Turnover of the Group declined by about 31.3% to approximately HK\$80.2 million (2021: HK\$116.7 million).

➤ Sales by operating segments were as follows:

	<b>Six months ended 30 September 2022 HK\$ million</b>	<b>Six months ended 30 September 2021 HK\$ million</b>	<b>Changes</b>
Hong Kong & Macau	<b>79.1</b>	116.6	-32.2%
Non-Hong Kong & Macau	<b>1.1</b>	0.1	+1,000.0%
<b>Total</b>	<b>80.2</b>	<b>116.7</b>	<b>-31.3%</b>

➤ Gross profit dropped to approximately HK\$52.8 million (2021: HK\$70.8 million) while the gross margin enhanced significantly to about 65.8% (2021: 60.7%).

➤ The Group recorded a net profit for the six months ended 30 September 2022 of about HK\$5.9 million (2021: HK\$34.1 million).

➤ Basic and diluted earnings per share was about 1.6 HK cents (2021: 9.3 HK cents).

➤ An interim dividend of 3.0 HK cents (2021: 2.5 HK cents) per ordinary share was 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 2022, prepared on the basis set out in Note 1.2 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 2022*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2022</b>	2021
	<i>Notes</i>	<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$’000</b>	<b>HK\$’000</b>
REVENUE	4	<b>80,161</b>	116,747
Cost of sales	6	<u><b>(27,383)</b></u>	<u>(45,925)</u>
GROSS PROFIT		<b>52,778</b>	70,822
Other income and gains	4	<b>11,699</b>	58,910
Selling and distribution expenses		<b>(42,957)</b>	(72,039)
Administrative expenses		<b>(14,249)</b>	(20,285)
Other expenses	6	<b>(787)</b>	(984)
Finance costs	5	<u><b>(499)</b></u>	<u>(2,233)</u>
PROFIT BEFORE TAX	6	<b>5,985</b>	34,191
Income tax expense	7	<u><b>(116)</b></u>	<u>(126)</u>
<b>PROFIT FOR THE PERIOD</b>			
<b>ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<u><b>5,869</b></u>	<u>34,065</u>
<b>Other comprehensive loss</b>			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>–</u>	<u>(1,533)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>			
<b>ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<u><b>5,869</b></u>	<u>32,532</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		<u><b>1.6 HK cents</b></u>	<u>9.3 HK cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	<i>Notes</i>	<b>As at 30 September 2022 (Unaudited) HK\$'000</b>	<b>As at 31 March 2022 (Audited) HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>10,604</b>	10,381
Right-of-use assets		<b>31,184</b>	40,174
Intangible assets		<b>89</b>	116
Equity investment at fair value through other comprehensive income		–	–
Rental, utility and other non-current deposits		<b>23,256</b>	24,350
Deferred tax assets		<b>200</b>	200
		<hr/> <b>65,333</b>	<hr/> 75,221
<b>NON-CURRENT ASSETS</b>			
<b>CURRENT ASSETS</b>			
Inventories		<b>36,192</b>	47,829
Trade receivables	10	<b>2,770</b>	1,733
Prepayments, deposits and other receivables		<b>6,334</b>	5,936
Property held for sale	11	–	201
Tax recoverable		<b>397</b>	384
Time deposits	12	<b>19,700</b>	11,700
Cash and cash equivalents		<b>42,940</b>	108,465
		<hr/> <b>108,333</b>	<hr/> 176,248
<b>CURRENT LIABILITIES</b>			
Trade payables	13	<b>1,187</b>	784
Other payables and accruals		<b>14,520</b>	16,948
Lease liabilities		<b>19,778</b>	38,287
Tax payable		<b>21</b>	22
		<hr/> <b>35,506</b>	<hr/> 56,041
<b>NET CURRENT ASSETS</b>			
		<hr/> <b>72,827</b>	<hr/> 120,207
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<hr/> <b>138,160</b>	<hr/> 195,428
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>4,715</b>	7,224
Deferred tax liabilities		–	10
		<hr/> <b>4,715</b>	<hr/> 7,234
<b>NON-CURRENT LIABILITIES</b>			
<b>NET ASSETS</b>			
		<hr/> <b>133,445</b>	<hr/> 188,194
<b>EQUITY</b>			
Equity attributable to equity holders of the parent			
Share capital	14	<b>36,738</b>	36,738
Reserves		<b>96,707</b>	151,456
		<hr/> <b>133,445</b>	<hr/> 188,194
<b>TOTAL EQUITY</b>			
		<hr/> <b>133,445</b>	<hr/> 188,194

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2022

## 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 1/F., 163 Hoi Bun Road, Kwun Tong, 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 2022 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 2022, 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 2022 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>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRS Standards 2018-2020</i>

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

### 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, 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
<b>For the six months ended 30 September 2022 (Unaudited)</b>			
<b>Segment revenue:</b>			
Sales to external customers	79,089	1,072	<u>80,161</u>
<b>Segment results:</b>	16,458	(352)	16,106
<i>Reconciliation:</i>			
Interest income			367
Finance costs (other than interest on lease liabilities)			(23)
Gain on disposal of a property (other than from leasehold improvements and equipment)			1,549
Unallocated expenses, net			<u>(12,014)</u>
Profit before tax			<u>5,985</u>
<b>Other segment information:</b>			
Capital expenditure*	1,893	–	1,893
Unallocated capital expenditure*			<u>281</u>
Total capital expenditure*			<u>2,174</u>
Depreciation of property, plant and equipment	1,321	–	1,321
Unallocated depreciation			<u>576</u>
Total depreciation			<u>1,897</u>
<b>As at 30 September 2022 (Unaudited)</b>			
<b>Segment assets:</b>	139,351	248	139,599
<i>Reconciliation:</i>			
Deferred tax assets			200
Tax recoverable			397
Unallocated assets			<u>33,470</u>
Total assets			<u>173,666</u>
<b>Segment liabilities:</b>	36,238	682	36,920
<i>Reconciliation:</i>			
Tax payable			21
Unallocated liabilities			<u>3,280</u>
Total liabilities			<u>40,221</u>
<b>Segment non-current assets:</b>	44,184	126	44,310
<i>Reconciliation:</i>			
Deferred tax assets			200
Unallocated non-current assets			<u>20,823</u>
Total non-current assets			<u>65,333</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
<b>For the six months ended 30 September 2021 (Unaudited)</b>			
<b>Segment revenue:</b>			
Sales to external customers	116,677	70	<u>116,747</u>
<b>Segment results:</b>			
<i>Reconciliation:</i>	(3,584)	3,056	(528)
Interest income			34
Finance costs (other than interest on lease liabilities)			(189)
Gain on disposal of a property (other than from leasehold improvements and equipment)			33,680
Gain on disposal of a subsidiary			20,588
Unallocated expenses, net			<u>(19,394)</u>
Profit before tax			<u>34,191</u>
<b>Other segment information:</b>			
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>
<b>As at 31 March 2022 (Audited)</b>			
<b>Segment assets:</b>			
<i>Reconciliation:</i>	173,037	4,126	177,163
Deferred tax assets			200
Property held for sale			201
Tax recoverable			384
Unallocated assets			<u>73,521</u>
Total assets			<u>251,469</u>
<b>Segment liabilities:</b>			
<i>Reconciliation:</i>	58,312	230	58,542
Deferred tax liabilities			10
Tax payable			22
Unallocated liabilities			<u>4,701</u>
Total liabilities			<u>63,275</u>
<b>Segment non-current assets:</b>			
<i>Reconciliation:</i>	53,608	154	53,762
Deferred tax assets			200
Unallocated non-current assets			<u>21,259</u>
Total non-current assets			<u>75,221</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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>		
Sale of garment products and accessories transferred at a point in time	<b>80,161</b>	116,747
	<hr/>	<hr/>
<b>Disaggregated revenue information</b>		
Segments		
<b>Geographical markets</b>		
Hong Kong & Macau	<b>79,089</b>	116,677
Non-Hong Kong & Macau	<b>1,072</b>	70
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>80,161</b>	116,747
	<hr/>	<hr/>
<b>Performance obligations</b>		

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 distributors. The performance obligation is satisfied when control of the products has been transferred, being when the products are delivered to the distributors and there is no unfulfilled obligation that could affect the distributors' acceptance of the products. The payment is generally due within 30 to 60 days from delivery, except for certain distributors, where payment in advance is normally required.



#### 4. REVENUE, OTHER INCOME AND GAINS (continued)

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Other income</b>		
Government grants	4,185	–
Bank interest income	367	34
Others	31	36
	<hr/>	<hr/>
	4,583	70
	<hr/>	<hr/>
<b>Gains</b>		
Gain on disposal of items of property, plant and equipment and right-of-use assets, net	1,495	32,871
Gain on disposal of a subsidiary	–	20,588
Write-back of rental deposits	–	425
Write-back of lease liabilities, net	5,621	4,455
Foreign exchange gains, net	–	501
	<hr/>	<hr/>
	7,116	58,840
	<hr/>	<hr/>
	11,699	58,910
	<hr/>	<hr/>

#### 5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on lease liabilities	476	2,044
Other interest expenses	23	189
	<hr/>	<hr/>
	499	2,233
	<hr/>	<hr/>

## 6. PROFIT BEFORE TAX

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Cost of sales:</b>		
Cost of inventories sold	25,413	42,882
Provision for inventories, net	1,970	3,043
	<u>27,383</u>	<u>45,925</u>
<b>Lease expenses:</b>		
Depreciation of right-of-use assets	13,506	34,467
Lease payments for short term leases and contingent rents not included in the measurement of lease liabilities	7,077	8,503
COVID-19-Related rent concessions	(1,384)	(3,820)
Interest on lease liabilities	476	2,044
	<u>19,675</u>	<u>41,194</u>
<b>Employee benefit expenses (including Directors' remuneration):</b>		
Wages, salaries and other benefits	23,262	28,034
(Refund from)/contribution to pension scheme, net	(2,085)	370
	<u>21,177</u>	<u>28,404</u>
Depreciation of property, plant and equipment	1,897	4,569
Gain on disposal of items of property, plant and equipment and right-of-use assets, net	(1,495)	(32,871)
Gain on disposal of a subsidiary	–	(20,588)
Write-back of rental deposits	–	(425)
Write-back of lease liabilities, net	(5,621)	(4,455)
Foreign exchange gains, net	–	(501)
<b>Other expenses:</b>		
Amortisation of intangible assets	26	51
Loss on disposal of trademarks	1	1
Write-off of deposits	2	–
Impairment of right-of-use assets	–	932
Foreign exchange losses, net	758	–
	<u>787</u>	<u>984</u>

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2022, 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 2022. 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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current tax (credit)/charge		
– Hong Kong	(14)	106
– Elsewhere	140	–
Deferred tax (credit)/charge	(10)	20
	<hr/>	<hr/>
Total tax expense for the period	<b>116</b>	<b>126</b>

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share is based on the profit for the period attributable to equity holders of the parent of HK\$5,869,000 (2021: HK\$34,065,000) and the weighted average number of ordinary shares of 367,380,000 (2021: 367,380,000) in issue during the six months ended 30 September 2022.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2022 and 2021.

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

	Six months ended 30 September	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>Profit</b>		
Profit attributable to equity holders of the parent, used in the basic earnings per share calculation	<b>5,869</b>	34,065
	<hr/>	<hr/>
	<b>Number of Shares</b>	
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period under review used in the basic earnings per share calculation	<b>367,380,000</b>	367,380,000
	<hr/>	<hr/>

## 9. DIVIDENDS

A final dividend of HK\$60,618,000 for the year ended 31 March 2022 was paid on 5 September 2022 (2021: a final and a special dividend aggregately of HK\$170,832,000).

In addition, the board of directors of the Company (the “**Board**”) declared an interim dividend of 3.0 HK cents (2021: 2.5 HK cents) per ordinary share, in respect of the six months ended 30 September 2022, to the shareholders whose names appear on the register of members of the Company on Wednesday, 21 December 2022. The interim dividend will be payable on or before Wednesday, 11 January 2023.

## 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 <b>30 September</b> <b>2022</b> (Unaudited) <i>HK\$’000</i>	As at 31 March 2022 (Audited) <i>HK\$’000</i>
Within 90 days	2,705	1,609
91 to 180 days	50	92
181 to 365 days	15	32
	<u>2,770</u>	<u>1,733</u>

## 11. PROPERTY HELD FOR SALE

On 13 December 2021, a wholly-owned subsidiary of the Group has entered a provisional sale and purchase agreement with an independent third party to sell a car parking space at a total consideration of HK\$1,750,000 (before any related expenses). Accordingly, the carrying book value of the respective property, plant and equipment and right-of-use assets of aggregately HK\$201,000 has been reclassified to property held for sale as at 31 March 2022.

The transaction has been completed on 19 April 2022 and the Group recorded a gain on disposal of the property of HK\$1,549,000 (before any related expenses) during the six months ended 30 September 2022.

## 12. TIME DEPOSITS AND PLEDGE OF ASSETS

Time deposits include the following components:

	As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
Pledged (note)	11,700	11,700
Unpledged but with original maturity of more than three months when acquired	8,000	–
	<u>19,700</u>	<u>11,700</u>

Note: As at 30 September 2022, the Group's general banking facilities were secured by the above time deposit of HK\$11,700,000 (31 March 2022: HK\$11,700,000).

## 13. 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 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
Within 90 days	<u>1,187</u>	<u>784</u>

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

## 14. SHARE CAPITAL

### Shares

	Company As at 30 September 2022 (Unaudited) HK\$'000	As at 31 March 2022 (Audited) HK\$'000
Authorised: 2,000,000,000 (31 March 2022: 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 2022: 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 15 to the Interim Financial Statements.

## 15. 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, 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 2022 (2021: 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.

## 16. 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 2022 (Unaudited) HK\$’000	As at 31 March 2022 (Audited) HK\$’000
Guarantees given for committed lease payments	–	274

## 17. COMMITMENT

The Group had no material capital commitment contracted, but not provided for as at 30 September 2022 (31 March 2022: Nil).

## 18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September 2022 (Unaudited) HK\$’000	2021 (Unaudited) HK\$’000
Purchase of a motor vehicle	250	–
Computer system maintenance charges	366	236
Purchases of computer equipment	28	13

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

Short-term employee benefits	1,801	2,095
Post-employment benefits	18	37
Total compensation paid to key management personnel	1,819	2,132

## 19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 28 November 2022.

## 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 2022, the Group had a total of 42 self-managed offline shops in operation (31 March 2022: 43).

	<b>As at 30 September 2022</b>	As at 31 March 2022	Changes
Hong Kong	<b>33</b>	33	–
Macau	<b>9</b>	10	-1
<b>TOTAL</b>	<b>42</b>	43	-1

The Group has managed a fashion retail business for nearly 30 years and is equipped with unique strengths to confront a difficult retail environment. Although the challenges brought by the COVID-19 pandemic are unprecedented and have raged for nearly three years since the outbreak in early 2020, robust entities can always refine their operating strategies and business tactics promptly to adapt to new business environments and maintain competitiveness. After about two years' internal restructuring, the Group successfully reformed its rigid cost structure, greatly reducing its operating leverage and effectively managing its retail business in a relatively stable manner.

The Group recorded a net profit of about HK\$5.9 million (2021: HK\$34.1 million) for the six months ended 30 September 2022. In the past year, the Group continued to adopt an asset-light strategy to realise its property portfolio and recorded a significant gain of aggregately about HK\$54.3 million from disposal of properties and a property-holding subsidiary in the six months ended 30 September 2021. As the asset realisation exercises have been substantially completed in the last financial year, the gain on disposal of properties reduced significantly to about HK\$1.5 million during the period under review.

On the other hand, the Group's core retail business performance has notably improved. The Group's key operating segment, Hong Kong & Macau, resumed its segmental profit of about HK\$16.5 million (2021: segmental loss of HK\$3.6 million) even during the Group's historically off-peak season (i.e. the first half of the financial year).

## Hong Kong & Macau

The Hong Kong and Macau retail operations are the key operating segment of the Group, accounting for almost all of the Group's turnover. Turnover of the segment declined by about 32.2% to about HK\$79.1 million (2021: HK\$116.6 million) due to the reduction in total number of offline retail stores from around 50 in same period last year to 42 as at 30 September 2022. Furthermore, sluggish sales sentiment, particularly in Macau, resulted in a double-digit drop in overall same-store-sales to about -13% (2021: -11%) for the six months ended 30 September 2022. However, the Group aims to maintain a qualitative and profitable retail portfolio instead of quantitative sales network. As a result of eliminating many loss-making stores in previous years and successfully reducing its operating costs, the segment resumed its profitability despite encountering many difficulties during the period under review.

In Hong Kong, the Group performed relatively stable even though the local retail atmosphere remained weak and volatile in general. The same-store-sales growth rate improved to about -5% (2021: -10%) in the six months ended 30 September 2022. An improving pandemic environment and further stimulation by the Hong Kong government's Consumption Voucher Scheme, faster consumption was sparked off generally. Some crucial operating conditions also gradually became less unfavourable such as more landlords were willing to reduce their rental level and/or offered more flexible lease arrangements. Frankly, the move can achieve a win-win situation for both landlords and retailers as such friendly cooperation not only allows retailers with more rooms to stabilise their businesses, but also let landlords maintain a better rate of property occupancy and can fairly share retailers' results upon their sales recovery. The Group also proactively pursued opportunities to build its retail store strategically at locations with better sales-to-cost efficiency. In September 2022, the Group launched a new flagship store under the in-house brandname of "SALAD" on Canton Road, Tsim Sha Tsui. The flagship store not only enhanced the Group's brand equity, but will also allow the Group to capture sales potential upon recovery of tourism after loosening inbound travel restrictions.

The Group's operations in Macau remained challenging during the six months ended 30 September 2022. Macau is a travel and entertainment city, where economic performance is highly correlated to tourism. Resulting from strict disease control over COVID-19 pandemic by the governments in Macau and surrounding Mainland cities like Guangzhou, Zhuhai, etc., the tourist traffic was greatly suppressed. More unfortunately, after a sharp spike in infection cases since late June 2022, the Macau launched a citywide lockdown in July 2022, the Group had to temporarily suspend its operations in the city for almost an entire month. The same-store-sales growth severely deteriorated to about -43% (2021: -13%) and the sales contribution from Macau slumped by about 58.5% to about HK\$9.5 million (2021: HK\$22.9 million) during the period under review.

Generally, sales momentum was fragile and volatile. To better adapt to the sluggish retail environments and to moderate impact from unpredictable business interruption, the Group has put much effort in recent years to reduce its operating leverage and to remove its fixed cost burden. The Group successfully recalibrated its major operating costs, including rental and staff costs, to let them link more elastically with its sales and promptly reacted with appropriate contingent plans for any unfavourable incidence. The Group also continued to strictly control its operating expenditures and sought rooms to enhance its response and operational effectiveness.



## **Non-Hong Kong & Macau**

The Group has revamped its business model and intends to tap the Mainland China and other overseas markets through online and social media platforms. The Group fostered several online distribution channels, including “Tmall”. Although the sales contribution has not yet been significant to the Group, the segmental sales increased remarkably to about HK\$1.1 million (2021: HK\$0.1 million) during the six months ended 30 September 2022. The segment incurred a loss of about HK\$0.4 million for the period under review (2021: profit of HK\$3.1 million). The segmental profit in same period last year was mainly attributable to certain one-off write-back of lease liabilities of subsidiaries in Mainland China upon liquidation and exchange gains arisen from appreciation of the New Taiwan dollar.

## **FINANCIAL REVIEW**

### **Turnover and Segment Information**

Turnover of the Group declined by about 31.3% to approximately HK\$80.2 million (2021: HK\$116.7 million) for the six months ended 30 September 2022. The Group’s same-store-sales growth slightly worsened to about -13% (2021: -11%) for the period under review. The unfavourable performance in sales was mainly attributable to the reduction in offline retail network and sluggish retail sentiment, particularly in Macau. 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 dropped by about 25.4% to approximately HK\$52.8 million (2021: HK\$70.8 million) for the six months ended 30 September 2022 while the gross margin enhanced significantly to about 65.8% (2021: 60.7%). Given reduced pressure on redundant inventories, the Group eased the scale of its bargain sales activities, offered fewer price discounts and was even able to upward-adjust the retail price for certain in-house brand products during the period under review.

## **Operating Expenses and Cost Control**

The Group continued to manage operating expenses very cautiously during the six months ended 30 September 2022 and its core operating expenses (excluding non-cash write-off, loss on disposal and impairment loss) were slashed by about 38.2% to approximately HK\$58.5 million (2021: HK\$94.6 million) for the period under review.

Rental is one of the key operating expenses of the Group. The Group has proactively restructured lease arrangements with landlords for more flexible terms and strove for reasonable rent concessions. 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 cautiously relocated certain shops to less costly locations with appropriate sales exposure. 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 six months ended 30 September 2022 decreased by about 52.2% to about HK\$19.7 million (2021: HK\$41.2 million). To maintain competitiveness, the Group adopts an on-going practice of strategically relocating, consolidating and converting its retail portfolio.

Resulting from smaller retail network and performance-based cost-control measures, the staff cost was shed by about 25.4% to approximately HK\$21.2 million (2021: HK\$28.4 million) during the period under review. The total number of staff reduced to 173 at the end of the reporting period (31 March 2022: 190). The above two major expenditures accounted for about 69.9% (2021: 73.6%) of the Group's core operating expenses.

Depreciation of property, plant and equipment reduced to approximately HK\$1.9 million (2021: HK\$4.6 million) for the period under review. The Group's finance costs for the six months ended 30 September 2022 mostly consisted of the interest on lease liabilities of about HK\$0.5 million (2021: HK\$2.0 million). Efforts to control costs in other areas are also in place. Regular review on work procedures is essential to enhance efficiency and in turn, to save costs.

## **Gain on disposal of properties**

On 13 December 2021, a wholly-owned subsidiary of the Group entered a provisional sale and purchase agreement with an independent third party to sell a car parking space at a total consideration of about HK\$1.8 million (before any related expenses). The transaction was completed on 19 April 2022 and the Group recorded a gain on disposal of the property of about HK\$1.5 million (before any related expenses) during the six months ended 30 September 2022. As the Group's asset realisation exercises had been substantially completed in the last financial year, the gain on disposal of properties reduced significantly during the period under review.

## **Government grants**

The Group received certain COVID-19 pandemic relief and subsidies from The Government of Hong Kong Special Administrative Region and The Government of Macau Special Administrative Region during the six months ended 30 September 2022. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants are presented in gross under “Other income” in the condensed consolidated statement of profit or loss and other comprehensive income. The Group recognised about HK\$4.2 million (2021: Nil) in aggregate during the period under review.

## **Write-back of lease liabilities**

The Group successfully negotiated with landlords during the period under review to make lease modifications and eventually resulted in substantially reduction in the lease liabilities of the subject tenancies. The corresponding right-of-use assets had been fully impaired in previous year and the carrying amount of these right-of-use assets had been written down to their recoverable amount of nil as at 31 March 2022 since the Directors considered the underlying cash-generating units of the assets were non-performing and suffering from substantial losses for the years. As a result of the lease modifications, the Group recorded a net write-back of lease liabilities of about HK\$5.6 million (2021: HK\$4.5 million) in the six months ended 30 September 2022.

## **Net Profit**

The Group recorded a net profit for the six months ended 30 September 2022 of about HK\$5.9 million (2021: HK\$34.1 million). The plummet in net profit was primarily attributable to the combined effect of (i) a substantial decrease in the gain on disposal of properties and a property-holding subsidiary from aggregately about HK\$54.3 million in the corresponding period last year to about HK\$1.5 million for the six months ended 30 September 2022 as the Group has substantially completed the asset realisation exercises in the last financial year; and (ii) the Group’s Macau sales declining significantly by more than 50% during the period under review resulting from COVID-19 pandemic and strict disease control measures in Macau.

## **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 2022, the Group had net assets of approximately HK\$133.4 million (31 March 2022: HK\$188.2 million), comprising non-current assets of approximately HK\$65.3 million (31 March 2022: HK\$75.2 million), net current assets of approximately HK\$72.8 million (31 March 2022: HK\$120.2 million) and non-current liabilities of approximately HK\$4.7 million (31 March 2022: HK\$7.2 million).

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2022, the Group had cash and cash equivalents and time deposits of approximately HK\$42.9 million (31 March 2022: HK\$108.5 million) and HK\$19.7 million (31 March 2022: HK\$11.7 million), respectively. At the end of the reporting period, the Group had aggregate banking facilities of approximately HK\$10.1 million (31 March 2022: HK\$10.0 million) comprising interest-bearing bank overdraft, revolving loans, rental and utility guarantees as well as import facilities, of which approximately HK\$10.0 million had not been utilised (31 March 2022: HK\$10.0 million). The Group had no bank borrowings as at 30 September 2022 (31 March 2022: 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 2022: zero).

## **CASH FLOWS**

During the period under review, net cash flows from operating activities reduced slightly to approximately HK\$22.0 million (2021: HK\$22.8 million), which was mainly attributable to weak sales performance and the streamlined retail operations. The net cash flows used in investing activities of about HK\$8.4 million (2021: net inflows of HK\$118.3 million) was mainly attributed to certain one-year term time deposits being placed during the six months ended 30 September 2022. Net cash flows used in financing activities dropped to about HK\$78.8 million (2021: HK\$251.3 million) was mainly due to the decrease in special dividends to its shareholders.

## **SECURITY**

As at 30 September 2022, the Group's general banking facilities were secured by a time deposit of about HK\$11.7 million (31 March 2022: HK\$11.7 million).

## **COMMITMENT**

The Group had no material capital commitment contracted, but not provided for as at 30 September 2022 (31 March 2022: Nil).

## **CONTINGENT LIABILITIES**

As at 30 September 2022, the Group had no contingent liabilities in respect of guarantees given for committed lease payments (31 March 2022: HK\$0.3 million).

## **HUMAN RESOURCES**

Including the Directors, the Group had 173 (31 March 2022: 190) employees as at 30 September 2022. To attract and retain high quality staff, the Group provides 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**

Looking forward, the path to business normalisation and full market recovery is still visible, though it is likely to encounter turbulence in the process. Given a well-controlled pandemic situation allowing Hong Kong and Macau to loosen its travel restrictions and to reopen both domestically and internationally, the Group is cautiously optimistic on its retail performance in the second half of the financial year.

The Group will continue to maintain an optimal scale of offline operations and to develop online and other innovative sales channels to capture target markets efficiently. The focus will be placed on fostering qualitative growth of the Group's retail business rather than quantitative expansion and on improving margin.

## **CHANGES IN DIRECTORSHIP AND OTHER CHANGES IN DIRECTORS' INFORMATION**

Pursuant to Rule 13.51B(1) of the Listing Rules, the Company confirmed that there was no change in directorship and information of the Directors since the publication of the annual report of the Company for the year ended 31 March 2022 up to 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 2022.

## **DIVIDENDS**

A final dividend of HK\$60,618,000 for the year ended 31 March 2022 was paid on 5 September 2022 (2021: a final and a special dividend aggregately of HK\$170,832,000).

In addition, the Board declared an interim dividend of 3.0 HK cents (2021: 2.5 HK cents) per ordinary share, in respect of the six months ended 30 September 2022, to the shareholders whose names appear on the register of members of the Company on Wednesday, 21 December 2022. The interim dividend will be payable on or before Wednesday, 11 January 2023.

## **CLOSURE OF REGISTER OF MEMBERS**

The record date for entitlement to the interim dividend is scheduled on Wednesday, 21 December 2022. For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Friday, 16 December 2022 to Wednesday, 21 December 2022, 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, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 15 December 2022.

## **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 2022.

## **CORPORATE GOVERNANCE**

The Group is committed to maintaining a high standard of corporate governance which serves as a vital element throughout the development of the Group. The Board emphasises on maintaining and conducting sound and effective corporate governance structure and practices.

The Company has complied with the code provisions set out in of the Corporate Governance Code as contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2022.

## **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 2022, 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 2022**

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 2022 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, 28 November 2022

## ***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.*