Bauhaus International (Holdings) Limited

包 浩 斯 國 際（控 股）有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 483)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

➢ Turnover of the Group declined by about 21.1% to approximately HK$196.6 million (2022: HK$249.3 million).

➢ Sales by operating segment were as follows:

	Year ended 31 March 2023 *HK$ million*	Year ended 31 March 2022 *HK$ million*	Changes
Offline	**192.1**	246.6	–22.1%
Online	**4.5**	2.7	+66.7%

➢ Gross profit decreased by about 6.0% to approximately HK$150.0 million (2022: HK$159.6 million), while gross margin enhanced significantly to about 76.3% (2022: 64.0%).

➢ The Group recorded a net profit for the year ended 31 March 2023 of about HK$46.0 million (2022: HK$142.6 million).

➢ Basic and diluted earnings per share were about 12.5 HK cents (2022: 38.8 HK cents).

The Board of Directors (the "**Directors**" or "**Board**") of Bauhaus International (Holdings) Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2023, prepared on the basis set out in Note 2 below, together with comparative figures of the previous year, as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2023

	Notes	**2023** *HK$'000*	2022 *HK$'000*
REVENUE	*4*	**196,618**	249,304
Cost of sales		**(46,628)**	(89,660)
GROSS PROFIT		**149,990**	159,644
Other income and gains	*4*	**13,689**	179,905
Selling and distribution expenses		**(93,695)**	(137,485)
Administrative expenses		**(28,580)**	(41,811)
Other expenses		**(960)**	(14,100)
Finance costs	*5*	**(1,053)**	(3,165)
PROFIT BEFORE TAX	*6*	**39,391**	142,988
Income tax credit/(expense)	*7*	**6,576**	(377)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**45,967**	142,611
Other comprehensive income			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**–**	3,584
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**–**	3,584
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**45,967**	146,195
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*8*	**12.5 HK cents**	38.8 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2023

	Notes	**2023** ***HK$'000***	2022 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**9,618**	10,381
Right-of-use assets		**41,884**	40,174
Intangible assets		**68**	116
Equity investment at fair value through other comprehensive income		**–**	–
Rental, utility and other non-current deposits		**17,788**	24,350
Deferred tax assets		**6,880**	200
TOTAL NON-CURRENT ASSETS		**76,238**	75,221
CURRENT ASSETS			
Inventories	*10*	**29,400**	47,829
Trade receivables	*11*	**2,785**	1,733
Prepayments, deposits and other receivables		**10,569**	5,936
Property held for sale	*12*	**–**	201
Tax recoverable		**386**	384
Time deposits		**19,700**	11,700
Cash and cash equivalents		**67,809**	108,465
Total current assets		**130,649**	176,248
CURRENT LIABILITIES			
Trade payables	*13*	**989**	784
Other payables and accruals		**12,704**	16,948
Lease liabilities		**19,325**	38,287
Tax payable		**–**	22
Total current liabilities		**33,018**	56,041
NET CURRENT ASSETS		**97,631**	120,207
TOTAL ASSETS LESS CURRENT LIABILITIES		**173,869**	195,428
NON-CURRENT LIABILITIES			
Lease liabilities		**11,347**	7,224
Deferred tax liabilities		**–**	10
TOTAL NON-CURRENT LIABILITIES		**11,347**	7,234
NET ASSETS		**162,522**	188,194
EQUITY			
Equity attributable to equity holders of the parent			
Share capital		**36,738**	36,738
Reserves		**125,784**	151,456
TOTAL EQUITY		**162,522**	188,194

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2023

1. CORPORATE AND GROUP INFORMATION

Bauhaus International (Holdings) Limited is a limited liability company incorporated in the Cayman Islands. The address of its registered office is the Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The principal place of business of the Company is located at 1/F., 163 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. The Group is principally engaged in the design and retail of trendy apparel, bags and fashion accessories. The Group's turnover is mostly contributed by its major in-house labels like "SALAD", "TOUGH", "80/20", some trendy design brands as well as certain international labels.

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.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value and non-current assets held for sale which are stated at the lower of carrying amount and fair value less costs to sell. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income is attributed to the owners of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Amendments to HKFRSs	*Annual Improvements to HKFRS Standards 2018-2020*
Accounting Guideline 5 (Revised)	*Merger Accounting for Common Control Combination*

The adoption of the above revised HKFRSs has had no significant financial effect on these consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

HKFRS 17	*Insurance Contracts and related amendments*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5*[2]
Amendments to HKAS 1	*Non-current Liabilities with Covenants*[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

[1] Effective on the consolidated financial statements of the Company for annual periods beginning on or after 1 April 2023

[2] Effective on the consolidated financial statements of the Company for annual periods beginning on or after 1 April 2024

[3] Effective date not yet determined

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the design and retail of trendy apparel, bags and fashion accessories.

In the prior year, the Group organised its business units to offer products to customers located in different geographical areas. The Group then presented its segmental information in two reportable segments, namely "Hong Kong & Macau" and "Non-Hong Kong & Macau".

However, in line with the Group's strategic moves, the Group revamped its business models to capture potentials in retail markets more comprehensively via both offline and online channels. For management purpose and in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment, the Group has restructured its reportable segments into two distinctive units with effect from the year ended 31 March 2023 and the comparative figures are also restated to conform with the current year's presentation.

The Group's new reportable segments are as follows:

1. **Offline:** management and operation of physical point-of-sale, including but not limited to retail stores, outlets, pop-up shops and seasonal bargain sales activities, etc. in different regions (at the end of the reporting periods, mainly in Hong Kong and Macau); and

2. **Online:** management and operation of cyber distribution channels to capture boundless online consumption.

Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except for that interest income, non-lease-related finance costs, gain on disposal of properties (other than from leasehold improvements and equipment), gain on disposal of a subsidiary and unallocated expenses, net are excluded from this measurement.

3. OPERATING SEGMENT INFORMATION *(Continued)*

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

Information about major customers

Since there was no customer to which the Group's sales amounted to 10% or more of the Group's revenue during the years ended 31 March 2023 and 2022, no major customer information is presented.

	Offline *HK$'000*	Online *HK$'000*	Total *HK$'000*
Year ended 31 March 2023			
Segment revenue:			
Sales to external customers	**192,086**	**4,532**	**196,618**
Segment results:	**61,798**	**(175)**	**61,623**
Reconciliation:			
Interest income			**1,093**
Finance costs (other than interest on lease liabilities)			**(23)**
Gain on disposal of properties (other than from leasehold improvements and equipment)			**1,549**
Unallocated expenses, net			**(24,851)**
Profit before tax			**39,391**
Segment assets:	**159,535**	**943**	**160,478**
Reconciliation:			
Deferred tax assets			**6,880**
Tax recoverable			**386**
Unallocated assets			**39,143**
Total assets			**206,887**
Segment liabilities:	**42,027**	**701**	**42,728**
Reconciliation:			
Unallocated liabilities			**1,637**
Total liabilities			**44,365**
Segment non-current assets:	**49,136**	**105**	**49,241**
Reconciliation:			
Deferred tax assets			**6,880**
Unallocated non-current assets			**20,117**
Total non-current assets			**76,238**

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

	Offline	Online	Total
	HK$'000	*HK$'000*	*HK$'000*
Other segment information:			
Capital expenditure*	**2,839**	**2**	**2,841**
Unallocated capital expenditure*			**294**
			3,135
Depreciation of property, plant and equipment	**2,471**	**51**	**2,522**
Unallocated depreciation			**1,050**
			3,572
Depreciation of right-of-use assets	**23,565**	**–**	**23,565**
Unallocated depreciation			**341**
			23,906
Amortisation of intangible assets	**10**	**–**	**10**
Unallocated amortisation			**36**
			46
Loss on disposal of items of property, plant and equipment, net	**326**	**–**	**326**
Unallocated gains on disposal of items of property, plant and equipment and right-of-use assets, net			**(1,549)**
			(1,223)
Write-back of lease liabilities, net	**(6,499)**	**–**	**(6,499)**
Reversal of impairment of right-of-use assets	**(610)**	**–**	**(610)**

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

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

	Offline (Restated) *HK$'000*	Online (Restated) *HK$'000*	Total (Restated) *HK$'000*
Year ended 31 March 2022			
Segment revenue:			
Sales to external customers	246,618	2,686	249,304
Segment results:	10,638	49	10,687
Reconciliation:			
Interest income			57
Finance costs (other than interest on lease liabilities)			(341)
Gain on disposal of properties (other than from leasehold improvements and equipment)			153,412
Gain on disposal of a subsidiary			20,587
Unallocated expenses, net			(41,414)
Profit before tax			142,988
Segment assets:	173,021	3,016	176,037
Reconciliation:			
Deferred tax assets			200
Property held for sale			201
Tax recoverable			384
Unallocated assets			74,647
Total assets			251,469
Segment liabilities:	58,284	50	58,334
Reconciliation:			
Deferred tax liabilities			10
Tax payable			22
Unallocated liabilities			4,909
Total liabilities			63,275
Segment non-current assets:	53,591	159	53,750
Reconciliation:			
Deferred tax assets			200
Unallocated non-current assets			21,271
Total non-current assets			75,221

3. OPERATING SEGMENT INFORMATION *(Continued)*

	Offline (Restated) *HK$'000*	Online (Restated) *HK$'000*	Total (Restated) *HK$'000*
Other segment information:			
Capital expenditure*	1,085	45	1,130
Unallocated capital expenditure*			1,262
			2,392
Depreciation of property, plant and equipment	5,935	78	6,013
Unallocated depreciation			1,614
			7,627
Depreciation of right-of-use assets	58,878	–	58,878
Unallocated depreciation			935
			59,813
Amortisation of intangible assets	14	–	14
Unallocated amortisation			68
			82
Loss on disposal of items of property, plant and equipment, net	1,115	4	1,119
Unallocated gains on disposal of items of property, plant and equipment and right-of-use assets, net			(152,072)
			(150,953)
Write-back of lease liabilities, net	(7,747)	–	(7,747)
Impairment of items of property, plant and equipment	1,202	–	1,202
Impairment of right-of-use assets	7,047	–	7,047

* *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:

	2023	2022
	HK$'000	*HK$'000*
Revenue		
Sale of garment products and accessories transferred at a point in time	**196,618**	249,304
Disaggregated revenue information		
Segments		
Retail business		(Restated)
Offline	**192,086**	246,618
Online	**4,532**	2,686
Total revenue from contracts with customers	**196,618**	249,304

The following table shows the amounts of revenue recognised that were included in the contract liabilities at the beginning of the years:

	2023	2022
	HK$'000	*HK$'000*
Revenue recognised that was included in contract liabilities at 1 April – Sale of garment products and accessories	**1,365**	1,900

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 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.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2023 and 31 March 2022 were not disclosed in the notes to the consolidated financial statements because all the remaining performance obligations in relation to the sale of garment products and accessories were a part of contracts that have an original expected duration of one year or less.

4. REVENUE, OTHER INCOME AND GAINS *(Continued)*

	2023 *HK$'000*	2022 *HK$'000*
Other income		
Bank interest income	**1,093**	57
Government grants*	**4,185**	194
Others	**79**	122
	5,357	373
Gains		
Gain on disposal of items of property, plant and equipment and right-of-use assets, net	**1,223**	150,953
Gain on disposal of a subsidiary	**–**	20,587
Gain on liquidation of subsidiaries	**–**	245
Write-back of lease liabilities, net	**6,499**	7,747
Reversal of impairment of right-of-use assets	**610**	–
	8,332	179,532
	13,689	179,905

* *During the year ended 31 March 2023, the Group recognised subsidies of approximately HK$4,185,000 (2022: HK$194,000) from certain anti-epidemic funds provided by the Hong Kong and Macau governments as part of the relief measures on COVID-19 pandemic.*

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 *HK$'000*	2022 *HK$'000*
Interest on lease liabilities	**1,030**	2,824
Interest on bank loans	**–**	10
Other interest expenses	**23**	331
	1,053	3,165

6. PROFIT BEFORE TAX

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

	2023	2022
	HK$'000	*HK$'000*
Cost of sales:		
Cost of inventories sold	**62,658**	96,936
Reversal of provision for inventories, net	**(16,030)**	(7,276)
	46,628	89,660
Lease expenses:		
Depreciation of right-of-use assets	**23,906**	59,813
Lease payments for short term leases and contingent rents not included in the measurement of lease liabilities	**19,335**	19,804
COVID-19-Related rent concessions*	**(1,384)**	(8,236)
Interest on lease liabilities	**1,030**	2,824
	42,887	74,205
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and other benefits	**46,376**	60,254
Contribution to pension scheme**	**1,685**	2,087
Refund from pension scheme	**(3,189)**	(862)
	44,872	61,479
Other expenses:		
Amortisation of intangible assets	**46**	82
Write-off of rental deposits, net	**2**	1,084
Loss on disposal of trademarks	**2**	3
Impairment of items of property, plant and equipment	**–**	1,202
Impairment of right-of-use assets	**–**	7,047
Foreign exchange losses, net	**910**	4,682
	960	14,100
Auditor's remuneration	**1,199**	1,129
Depreciation of property, plant and equipment	**3,572**	7,627
Gain on disposal of items of property, plant and equipment and right-of-use assets, net	**(1,223)**	(150,953)
Gain on disposal of a subsidiary	**–**	(20,587)
Write-back of lease liabilities, net	**(6,499)**	(7,747)
Reversal of impairment of right-of-use assets	**(610)**	–

* *Included in "selling and distribution expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.*

** *At the end of the reporting period, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2022: Nil).*

7. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, 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.

	2023	2022
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Provision for the year	**–**	333
(Over)/under provision in prior years	**(26)**	33
Current tax – Elsewhere		
Provision for the year	**–**	3
Under/(over) provision in prior years	**140**	(272)
Deferred tax (credit)/charge	**(6,690)**	280
Total tax (credit)/expense for the year	**(6,576)**	377

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 year attributable to equity holders of the parent of HK$45,967,000 (2022: HK$142,611,000) and the weighted average number of ordinary shares of 367,380,000 (2022: 367,380,000) in issue during the year.

Diluted earnings per share is the same as basic earnings per share as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2023 and 2022.

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

	2023	2022
	HK$'000	*HK$'000*
Profit		
Profit attributable to equity holders of the parent, used in the basic earnings per share calculation	**45,967**	142,611
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**367,380,000**	367,380,000

9. DIVIDENDS

	2023	2022
	HK$'000	*HK$'000*
2022 First special – 12.5 HK cents per ordinary share	**–**	45,923
2022 Second special – 18.5 HK cents per ordinary share	**–**	67,964
2022 Third special – 30.5 HK cents per ordinary share	**–**	112,050
Interim – **3.0 HK cents** (2022: 2.5 HK cents) per ordinary share	**11,021**	9,184
Proposed final – **Nil** (2022: 16.5 HK cents) per ordinary share	**–**	60,618
	11,021	295,739

10. INVENTORIES

	2023	2022
	HK$'000	*HK$'000*
Finished goods at cost	**32,400**	66,859
Less: provision for inventories	**(3,000)**	(19,030)
	29,400	47,829

During the year ended 31 March 2023, the Group has changed the estimate of inventories provision on off-season goods based on recent market conditions. The change in estimate has an effect of HK$8,300,000 reduction in inventory provision in the current year.

11. TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**2,785**	1,733
Less: expected credit loss	**–**	–
	2,785	1,733

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 to 60 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

The ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2023	2022
	HK$'000	*HK$'000*
Within 90 days	**2,703**	1,609
91 to 180 days	**44**	92
181 to 365 days	**38**	32
	2,785	1,733

12. PROPERTY HELD FOR SALE

	2023	2022
	HK$'000	*HK$'000*
Land and buildings	**–**	201

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.

The transaction has been completed on 19 April 2022 and the Group recorded a gain on disposal of the property of about HK$1,549,000 upon completion in the year ended 31 March 2023.

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:

	2023	2022
	HK$'000	*HK$'000*
Within 90 days	**989**	784

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

14. COMPARATIVE AMOUNTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the design and retail of trendy apparel, bags and fashion accessories for more than twenty years. The Group's turnover is mostly contributed by its major in-house labels like "SALAD", "TOUGH", "80/20", some trendy design brands and certain international labels.

Although the challenges brought by the COVID-19 pandemic are unprecedented and have raged for more than three years since the outbreak in early 2020, the Group has demonstrated its strong adaptability through promptly refining its business strategies to confront difficult retail environment. After about two years' internal restructuring, the Group successfully enhanced its gross margin, significantly reformed its rigid cost structure, greatly reduced its operating leverage and effectively managed its retail business in a relatively stable manner. Those efforts have equipped the Group to remain competitive. Following the re-opening of borders and the easing of travel restrictions in Hong Kong and Macau since early 2023, the retail sentiment was greatly improving. The path to business normalisation and full market recovery is more visible and achievable, even though it may encounter turbulence during the processes.

To be in line with the Group's strategic moves, the Group has revamped its business models to capture opportunities in retail markets more comprehensively via both offline and online channels. For management purpose and in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment, the Group has restructured its reportable segments into two distinctive units with effect from the year ended 31 March 2023 and the comparative figures are also restated to conform with the current year's presentation.

The Group's new reportable segments are as follows:

1. **Offline:** management and operation of physical point-of-sale, including but not limited to retail stores, outlets, pop-up shops and seasonal bargain sales activities, etc. in different regions; and

2. **Online:** management and operation of cyber distribution channels to capture boundless online consumption.

The Group recorded a net profit of about HK$46.0 million (2022: HK$142.6 million) for the year ended 31 March 2023. In the past years, the Group was optimising and realising its property portfolio. As a result, the Group recorded significant gains aggregately of about HK$174.0 million from disposal of properties (other than from leasehold improvements and equipment) and a property-holding subsidiary company in the year ended 31 March 2022. As such realisation exercises had been substantially completed in the last financial year, the gain on disposal of properties cascaded to about HK$1.5 million during the year under review.

More importantly, the Group's core offline business performance has been remarkably improved. Even excluding the combined profit effects of aggregately about HK$12.7 million from (1) increase in government grants of about HK$4.0 million (from HK$0.2 million in FY21/22 to HK$4.2 million in FY22/23); and (2) increase in reversal of provision for inventories of about HK$8.7 million (from HK$7.3 million in FY21/22 to HK$16.0 million in FY22/23), the segmental profit skyrocketed by nearly fivefold from about HK$10.6 million in the last year to about HK$49.1 million for the year ended 31 March 2023.

Offline

The offline retail operations are the key operating segment of the Group accounting for almost all of the Group's turnover. As at 31 March 2023, the Group had 39 (2022: 43) physical stores in operation across Hong Kong and Macau. Turnover of the segment declined by about 22.1% to about HK$192.1 million (2022: HK$246.6 million), which mainly resulted from the reduction in total number of physical shops and the negative growth in the overall same-store-sales of about –6% for the year ended 31 March 2023 (2022: –16%).

Sluggish retail sentiment, particularly in Macau during the first-three quarters of the financial year under review, suppressed the overall same-store-sales performance. However, since the re-opening of borders and relaxing restrictions on travels in both Hong Kong and Macau since early 2023, the tourist traffic strongly rebounded and the local retail atmosphere was obviously recovering.

In Hong Kong, the Group performed relatively stable during the year ended 31 March 2023 and recorded zero growth in the same-store-sales (2022: –13%). With less serious pandemic situations and further galvanised 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 adjust their rental level and/or to offer more flexible lease arrangements during the year under review. The Group proactively pursued opportunities to build its retail store strategically at a site with better sales-to-cost efficiency. In September 2022, the Group launched a new flagship store under the in-house brand name of "SALAD" in Canton Road, Tsim Sha Tsui. The flagship store not only enhanced the Group's brand equity, but also allowed the Group to capture immense sales potential from the recovery of tourism after loosening inbound travel restrictions.

The Group's offline retail business in Macau was very challenging during the year ended 31 March 2023. The Macau's same-store-sales growth for the year ended 31 March 2023 was about –28% (2022: –26%). 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. during the first-three quarter of the financial year, the tourist traffic was greatly stifled. Even worse after a sharp spike in infection cases since late June 2022, the Macau's government launched a citywide lockdown in July 2022. The Group had to temporarily suspend its operations in the city for almost entire month. The same-store-sales growth for the nine months ended 31 December 2022 severely deteriorated to about –41%. However, the same-store-sales growth swung to a positive growth of about 6%, in the fourth-quarter of the financial year upon the easing of the anti-epidemic measures.

The Group aims to maintain a qualitative and profitable retail portfolio instead of only an enormous sales network. The Group has put much effort in recent years to reduce its operating leverage and to axe its fixed cost constraints. The Group successfully recalibrated its major operating costs, including rentals and staff costs, to let them link more elastically with its sales and promptly reacted with appropriate contingent plans for unfavourable incidents. The Group also continued to strictly control its operating costs and to enhance its effectiveness. As a result of eliminating many loss-making stores in previous years and successfully shrinking its operating costs together with (1) the government grants of about HK$4.2 million (2022: HK$0.2 million); and (2) the reversal of provision for inventories of about HK$16.0 million (2022: HK$7.3 million), the segmental profit soared to about HK$61.8 million for the year ended 31 March 2023 (2022: HK$10.6 million) despite the decrease in sales.

Online

The online business is considered having immense growing prospect. The Group has established a separate management and operation workforce to foster the development of various cyber distributions channels. During the year ended 31 March 2023, the Group operated online shops via certain popular e-commerce and social media platforms, including "Tmall", "Zalora", "Shopline", etc.

The segment incurred a tiny loss of about HK$0.2 million for the year under review (2022: profit of HK$0.1 million). However, the sales grew rapidly by about 66.7% to about HK$4.5 million during the year ended 31 March 2023 (2022: HK$2.7 million).

FINANCIAL REVIEW

Turnover and Segment Information

Turnover of the Group declined by about 21.1% to approximately HK$196.6 million (2022: HK$249.3 million) for the year ended 31 March 2023. The Group's same-store-sales growth improved to about –6% (2022: –16%) for the year under review. The decline in sales was mainly attributable to the reduction in business scale and sluggish retail sentiment, particularly in Macau during the first-three quarters of the financial year under review. However, the overall sales performance has been reviving after re-opening borders in Hong Kong and Macau since early 2023. Details of the Group's segmental turnover and results are shown in Note 3 to the consolidated financial statements.

Gross Profit and Gross Margin

Although the Group's gross profit slipped by about 6.0% to approximately HK$150.0 million (2022: HK$159.6 million) for the year ended 31 March 2023, the gross margin enhanced significantly to about 76.3% (2022: 64.0%). Resulting from the enhancing salability of inventories as a whole and reducing level of slow-moving items, a net reversal of stock provision of about HK$16.0 million was recognised in the year under review (2022: HK$7.3 million). Given lesser pressure on redundant inventories, the Group also reduced the scale of bargain sales activities, offered lesser price discounts and adjusted retail price upward for certain in-house brand products during the year under review.

Operating Expenses and Cost Control

The Group continued to manage operating expenses very cautiously during the year ended 31 March 2023 and its core operating expenses (excluding non-cash write-off, loss on disposal and impairment loss) were axed by about 34.0% to approximately HK$124.3 million (2022: HK$188.3 million) for the year 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 offline 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 year ended 31 March 2023 were slashed by about 42.2% to about HK$42.9 million (2022: HK$74.2 million). To maintain competitive, the Group adopts an on-going practice of strategically relocating, consolidating and converting its retail portfolio.

Resulting from a streamlined retail network and strict cost-cut measures, the staff cost was shed by about 27.0% to approximately HK$44.9 million (2022: HK$61.5 million) during the year under review. The total number of staff reduced to 183 at the end of the reporting period (2022: 190). The above two major expenditures have already accounted for about 70.6% (2022: 72.1%) of the Group's core operating expenses.

Depreciation of property, plant and equipment reduced to approximately HK$3.6 million (2022: HK$7.6 million) for the year under review. The Group's finance costs for the year ended 31 March 2023 mostly consisted of the interest on lease liabilities of about HK$1.0 million (2022: HK$2.8 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 manage costs effectively.

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 year ended 31 March 2023 (2022: HK$174.0 million). As the Group's asset realisation exercises had been substantially completed in the last financial year, the gain on disposal of properties plunged during the year 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 year ended 31 March 2023. 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 and gains" in the consolidated statement of profit or loss and other comprehensive income. The Group recognised about HK$4.2 million (2022: HK$0.2 million) in aggregate during the year under review.

Write-back of lease liabilities and reversal of impairment of right-of-use assets

The Group successfully negotiated with landlords during the year under review to make lease modifications and eventually resulted in substantially reduction in the lease liabilities of the subject tenancies. As a result of the lease modifications, the Group recorded a net write-back of lease liabilities and a reversal of impairment of right-of-use assets of about HK$6.5 million (2022: HK$7.7 million) and HK$0.6 million (2022: Nil), respectively in the year ended 31 March 2023.

Net Profit

The Group recorded a net profit for the year ended 31 March 2023 of about HK$46.0 million (2022: HK$142.6 million). The plummet in net profit was primarily attributable to the substantial decrease in the gains on disposal of properties and a property-holding subsidiary from aggregately about HK$174.0 million in the corresponding period last year to about HK$1.5 million for the year ended 31 March 2023 as the Group had substantially completed the asset realisation exercises in the last financial year.

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 operating profit are derived in the second-half of the financial year, within which the holiday seasons of Christmas, New Year and the Lunar New Year fall.

CAPITAL STRUCTURE

As at 31 March 2023, the Group had net assets of approximately HK$162.5 million (2022: HK$188.2 million), comprising non-current assets of approximately HK$76.2 million (2022: HK$75.2 million), net current assets of approximately HK$97.6 million (2022: HK$120.2 million) and non-current liabilities of approximately HK$11.3 million (2022: HK$7.2 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2023, the Group had cash and cash equivalents and time deposits of about HK$67.8 million (2022: HK$108.5 million) and HK$19.7 million (2022: HK$11.7 million), respectively. At the end of the reporting period, the Group had aggregate banking facilities of about HK$10.0 million (2022: HK$10.0 million), comprising interest-bearing bank overdraft, revolving loans, rental and utility guarantees as well as import facilities, of which about HK$8.5 million had not been utilised (2022: HK$10.0 million). The Group had no borrowings as at 31 March 2022 and 31 March 2023. 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 (2022: zero).

CASH FLOWS

During the year ended 31 March 2023, net cash flows from operating activities strengthened by about 20.3% to approximately HK$71.6 million (2022: HK$59.5 million), which was mainly attributable to the decrease in inventories and less operating costs for the streamlined retail operations. Net cash flows used in investing activities was about HK$9.4 million (2022: inflows of about HK$248.3 million). As the asset realisation exercises had been substantially completed in the last financial year, there was only about HK$1.8 million (2022: HK$246.8 million) proceeds received from the disposal of properties or a property-holding company during the year under review. Net cash flows used in financing activities slumped to about HK$102.8 million (2022: HK$466.0 million) mainly due to the cut in surplus cash from the proceeds of disposal of properties for dividend payments.

SECURITY

As at 31 March 2023, the Group's general banking facilities were secured by the Group's property, plant and equipment and right-of-use assets situated in Hong Kong, which had aggregate carrying values at the end of the reporting period of approximately HK$5.0 million and HK$12.8 million, respectively (2022: secured by a time deposit of HK$11.7 million).

CAPITAL COMMITMENT

The Group had no material capital commitment contracted, but not provided for as at 31 March 2023 (2022: Nil).

CONTINGENT LIABILITIES

As at 31 March 2023, the Group had contingent liabilities in respect of bank guarantees given in lieu of utility and property rental deposits amounting to approximately HK$1.5 million (2022: guarantees given for committed lease payments of about HK$0.3 million).

HUMAN RESOURCES

Including the Directors, the Group had 183 (2022: 190) employees as at 31 March 2023. To attract and retain high quality staff, the Group provided competitive remuneration packages with performance bonuses, mandatory provident fund, 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 year have been mostly denominated in Hong Kong dollars and United States dollars. 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

Following the business normalisation in the post-COVID era, we are cautiously optimistic in retail market recovery in the foreseeable future, even though it may encounter turbulence during the processes. Looking forward, the Group will continue to maintain an optimum scale of offline operations and to explore online and other innovative sales channels. The strategic focus will still be placed on achieving a balanced, qualitative and sustainable growth of the Group's retail portfolio as a whole, rather than quantitative offline expansion.

In the coming years, we shall fuel our in-house brand development and strengthen our brand equity. We shall also leverage data and analytics to deeper understand customer preferences, identify emerging trends, and make better informed decisions that drive qualitative and sustainable growth in the long term. To remain competitive, the Group always has to constantly adapt to the changing retail landscape by developing flexible business models, fostering a culture of innovation to stay ahead of the competition and embracing new technologies. We shall explore our digital capabilities to meet the surge in online demand, optimise our e-commerce platforms, and provide convenient customer experiences across all touchpoints. Besides, we intends to gradually promote omnichannel retailing not only to create a seamless shopping experience for customers, enabling them to shop in-store, online, and through social media platforms with confidence and ease, but also to stimulate the overall salability of the Group's in-house labels and to boost retail efficiency for boundless and rapid distributions.

DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31 March 2023.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "**AGM**") is scheduled on **Friday, 18 August 2023**. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from **Tuesday, 15 August 2023** to **Friday, 18 August 2023**, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on **Monday, 14 August 2023**.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the year ended 31 March 2023.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 (the "**Model Code**") to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Based on specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 March 2023.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2023.

REVIEW OF FINANCIAL INFORMATION

An audit committee of the Company (the "**Audit Committee**") with written terms of reference comprises three independent non-executive directors, namely Mr. Chu To Ki, Mr. Mak Wing Kit and Mr. Wong Man Tai. The Audit Committee has reviewed with management and external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the consolidated financial statements for the year ended 31 March 2023.

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 March 2023 have been agreed by the Company's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year under review. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on this announcement.

CHANGES IN DIRECTORSHIP AND OTHER CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in directorship and other changes in the information of the Directors since the publication of the interim report of the Company for the six months ended 30 September 2022 up to the date of this announcement are set out below:

Name of Director	Details of changes
Dr. Wong Yui Lam	➢ Resigned, by reason of retirement, as an executive director of the Company and ceased to be an authorised representative of the Company with effect from 26 June 2023
Mr. Yeung Yat Hang	➢ Appointed as the authorised representative of the Company with effect from 26 June 2023
Mr. Mak Wing Kit	➢ Ceased to act as the chairman of the remuneration committee of the Company is redesignated as a member of the remuneration committee with effect from 26 June 2023
Ms. Choi Sze Man, Mandy	➢ Appointed as the independent non-executive director, the chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company with effect from 26 June 2023

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement for the year ended 31 March 2023 is published on the website of the Company (www.bauhaus.com.hk) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The Company's 2022/23 annual report will be despatched to the shareholders of the Company and made available on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to express my deep gratitude to our shareholders, business partners and customers for their unstinting support. I would also like to extend our sincere appreciation to all the Group's employees for their dedication.

By order of the Board
Bauhaus International (Holdings) Limited
Madam Tong She Man, Winnie
Chairlady

Hong Kong, 26 June 2023

BOARD OF DIRECTORS

As at the date of this announcement, the board of directors comprises two executive Directors, namely Madam Tong She Man, Winnie and Mr. Yeung Yat Hang and four independent non-executive Directors, namely Mr. Chu To Ki, Mr. Mak Wing Kit, Mr. Wong Man Tai and Ms. Choi Sze Man, Mandy.