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# 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 2023**

➤ Turnover of the Group raised by about 8.2% to approximately HK\$86.8 million (2022: HK\$80.2 million).

➤ Sales by operating segment were as follows:

	<b>Six months ended 30 September 2023 HK\$ million</b>	<b>Six months ended 30 September 2022 HK\$ million</b>	<b>Changes</b>
Offline	<b>85.2</b>	78.2	+9.0%
Online	<b>1.6</b>	2.0	-20.0%
Total	<b><u>86.8</u></b>	<b><u>80.2</u></b>	<b><u>+8.2%</u></b>

➤ Gross profit increased by about 22.3% to approximately HK\$64.6 million (2022: HK\$52.8 million) and the gross margin enhanced significantly to about 74.4% (2022: 65.8%).

➤ The Group recorded a net profit for the six months ended 30 September 2023 of about HK\$3.5 million (2022: HK\$5.9 million).

➤ Basic and diluted earnings per share was about 1.0 HK cent (2022: 1.6 HK cent).

The board of directors (the “**Board**” or “**Directors**”) 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 2023, 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 2023*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2023</b>	2022
	<i>Notes</i>	<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$’000</b>	<b>HK\$’000</b>
REVENUE	4	<b>86,791</b>	80,161
Cost of sales	6	<u>(22,197)</u>	<u>(27,383)</u>
GROSS PROFIT		<b>64,594</b>	52,778
Other income and gains	4	<b>1,243</b>	11,699
Selling and distribution expenses		<b>(46,841)</b>	(42,957)
Administrative expenses		<b>(14,965)</b>	(14,249)
Other expenses	6	<b>(920)</b>	(787)
Finance costs	5	<u>(1,719)</u>	<u>(499)</u>
PROFIT BEFORE TAX	6	<b>1,392</b>	5,985
Income tax credit/(expense)	7	<u><b>2,108</b></u>	<u>(116)</u>
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<u><b>3,500</b></u>	<u>5,869</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		<u><b>1.0 HK cent</b></u>	<u>1.6 HK cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2023*

	<i>Notes</i>	As at <b>30 September 2023</b> <i>(Unaudited)</i> <b>HK\$'000</b>	As at 31 March 2023 <i>(Audited)</i> <b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>13,123</b>	9,618
Right-of-use assets		<b>70,945</b>	41,884
Intangible assets		<b>39</b>	68
Equity investment at fair value through other comprehensive income		–	–
Rental, utility and other non-current deposits		<b>17,230</b>	17,788
Deferred tax assets		<b>9,080</b>	6,880
		<hr/>	<hr/>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>110,417</b>	76,238
<b>CURRENT ASSETS</b>			
Inventories		<b>51,345</b>	29,400
Trade receivables	<i>10</i>	<b>3,431</b>	2,785
Prepayments, deposits and other receivables		<b>9,686</b>	10,569
Tax recoverable		<b>307</b>	386
Time deposits	<i>11</i>	<b>37,300</b>	19,700
Cash and cash equivalents		<b>33,781</b>	67,809
		<hr/>	<hr/>
Total current assets		<b>135,850</b>	130,649
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>12</i>	<b>6,437</b>	989
Other payables and accruals		<b>14,286</b>	12,704
Lease liabilities		<b>32,561</b>	19,325
		<hr/>	<hr/>
Total current liabilities		<b>53,284</b>	33,018
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>82,566</b>	97,631
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>192,983</b>	173,869
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>26,961</b>	11,347
		<hr/>	<hr/>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>26,961</b>	11,347
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>166,022</b>	162,522
<b>EQUITY</b>			
Equity attributable to equity holders of the parent			
Share capital	<i>13</i>	<b>36,738</b>	36,738
Reserves		<b>129,284</b>	125,784
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>166,022</b>	162,522
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2023

## 1.1 CORPORATE INFORMATION

Bauhaus International (Holdings) Limited is a limited liability company incorporated in the Cayman Islands. 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 and 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.

## 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 2023 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 2023, 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 2023 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.

HKFRS 17	<i>Insurance Contracts and related amendments</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</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.

Formerly, 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 period’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) and unallocated expenses, net are excluded from this measurement.

Segment assets exclude equity investments at fair value through other comprehensive income, deferred tax assets, tax recoverable and other unallocated corporate assets as these assets are managed on a group basis. Segment liabilities exclude deferred tax liabilities, tax payable and other unallocated corporate liabilities as these liabilities are managed on a group basis. Segment non-current assets exclude 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 whom the Group’s sales amounted to 10% or more of the Group’s revenue during the periods under review, no major customer information is presented.

### 3. OPERATING SEGMENT INFORMATION (continued)

	Offline HK\$'000	Online HK\$'000	Total HK\$'000
<b>For the six months ended 30 September 2023 (Unaudited)</b>			
<b>Segment revenue:</b>			
Sales to external customers	85,171	1,620	<u>86,791</u>
<b>Segment results:</b>	14,753	(149)	14,604
<i>Reconciliation:</i>			
Interest income			1,207
Finance costs (other than interest on lease liabilities)			–
Gain on disposal of a property (other than from leasehold improvements and equipment)			–
Unallocated expenses, net			<u>(14,419)</u>
Profit before tax			<u>1,392</u>
<b>Other segment information:</b>			
Capital expenditure*	5,705	–	5,705
Unallocated capital expenditure*			<u>138</u>
Total capital expenditure*			<u>5,843</u>
Depreciation of property, plant and equipment	1,056	8	1,064
Unallocated depreciation			<u>493</u>
Total depreciation			<u>1,557</u>
<b>As at 30 September 2023 (Unaudited)</b>			
<b>Segment assets:</b>	199,763	1,396	201,159
<i>Reconciliation:</i>			
Deferred tax assets			9,080
Tax recoverable			307
Unallocated assets			<u>35,721</u>
Total assets			<u>246,267</u>
<b>Segment liabilities:</b>	76,771	792	77,563
<i>Reconciliation:</i>			
Unallocated liabilities			<u>2,682</u>
Total liabilities			<u>80,245</u>
<b>Segment non-current assets:</b>	81,485	89	81,574
<i>Reconciliation:</i>			
Deferred tax assets			9,080
Unallocated non-current assets			<u>19,763</u>
Total non-current assets			<u>110,417</u>

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

### 3. OPERATING SEGMENT INFORMATION (continued)

	Offline (Restated) <i>HK\$'000</i>	Online (Restated) <i>HK\$'000</i>	Total (Restated) <i>HK\$'000</i>
<b>For the six months ended 30 September 2022 (Unaudited)</b>			
<b>Segment revenue:</b>			
Sales to external customers	78,141	2,020	<u>80,161</u>
<b>Segment results:</b>			
<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>(12,301)</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	32	1,353
Unallocated depreciation			<u>544</u>
Total depreciation			<u>1,897</u>
<b>As at 31 March 2023 (Audited)</b>			
<b>Segment assets:</b>			
<i>Reconciliation:</i>			
Deferred tax assets			6,880
Tax recoverable			386
Unallocated assets			<u>39,143</u>
Total assets			<u>206,887</u>
<b>Segment liabilities:</b>			
<i>Reconciliation:</i>			
Unallocated liabilities			<u>1,637</u>
Total liabilities			<u>44,365</u>
<b>Segment non-current assets:</b>			
<i>Reconciliation:</i>			
Deferred tax assets			6,880
Unallocated non-current assets			<u>20,117</u>
Total non-current assets			<u>76,238</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>2023</b>	<b>2022</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	<u><b>86,791</b></u>	<u>80,161</u>
<b>Disaggregated revenue information</b>		
Segments		
<b>Retail Business</b>		(Restated)
Offline	<b>85,171</b>	78,141
Online	<u><b>1,620</b></u>	<u>2,020</u>
Total revenue from contracts with customers	<u><b>86,791</b></u>	<u>80,161</u>

#### **Performance obligations**

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

#### **Sale of garment products and accessories**

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

The Group also sells goods to 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	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	1,207	367
Government grants	–	4,185
Others	<u>36</u>	<u>31</u>
	<u>1,243</u>	<u>4,583</u>
<b>Gains</b>		
Gain on disposal of items of property, plant and equipment and right-of-use assets, net	–	1,495
Write-back of lease liabilities, net	<u>–</u>	<u>5,621</u>
	<u>–</u>	<u>7,116</u>
	<u>1,243</u>	<u>11,699</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended	
	30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on lease liabilities	1,719	476
Other interest expenses	<u>–</u>	<u>23</u>
	<u>1,719</u>	<u>499</u>

## 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>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Cost of sales:</b>		
Cost of inventories sold	21,597	25,413
Provision for inventories, net	<u>600</u>	<u>1,970</u>
	<u>22,197</u>	<u>27,383</u>
<b>Lease expenses:</b>		
Depreciation of right-of-use assets	17,374	13,506
Lease payments for short term leases and contingent rents not included in the measurement of lease liabilities	6,129	7,077
COVID-19-Related rent concessions	–	(1,384)
Interest on lease liabilities	<u>1,719</u>	<u>476</u>
	<u>25,222</u>	<u>19,675</u>
<b>Employee benefit expenses (including Directors' remuneration):</b>		
Wages, salaries and other benefits	27,310	23,262
Contribution to pension scheme	814	799
Refund from pension scheme	<u>(5,525)</u>	<u>(2,884)</u>
	<u>22,599</u>	<u>21,177</u>
<b>Other expenses:</b>		
Amortisation of intangible assets	17	26
Loss on disposal of trademarks	12	1
Loss on disposal of items of property, plant and equipment, net	781	–
Write-off of right-of-use assets, net	65	–
Write-off of deposits	–	2
Foreign exchange losses, net	<u>45</u>	<u>758</u>
	<u>920</u>	<u>787</u>
Depreciation of property, plant and equipment	1,557	1,897
Gain on disposal of items of property, plant and equipment and right-of-use assets, net	–	(1,495)
Write-back of lease liabilities, net	<u>–</u>	<u>(5,621)</u>

## 7. INCOME TAX

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 six months ended 30 September 2023, 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.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax credit/(charge)		
– Hong Kong	(5)	14
– Elsewhere	(87)	(140)
Deferred tax credit	<u>2,200</u>	<u>10</u>
Total tax credit/(expense) for the period	<u><u>2,108</u></u>	<u><u>(116)</u></u>

## 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\$3,500,000 (2022: HK\$5,869,000) and the weighted average number of ordinary shares of 367,380,000 (2022: 367,380,000) in issue during the six months ended 30 September 2023.

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 six months ended 30 September 2023 and 2022.

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit</b>		
Profit attributable to equity holders of the parent, used in the basic earnings per share calculation	<u>3,500</u>	<u>5,869</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period under review used in the basic earnings per share calculation	<u>367,380,000</u>	<u>367,380,000</u>

## 9. DIVIDEND

The board of directors of the Company (the “**Board**”) did not declare the payment of an interim dividend for the six months ended 30 September 2023 (2022: 3.0 HK cents per ordinary share).

## 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>2023</b> <b>(Unaudited)</b> <b>HK\$’000</b>	As at 31 March 2023 (Audited) HK\$’000
Within 90 days	3,329	2,703
91 to 180 days	74	44
181 to 365 days	<u>28</u>	<u>38</u>
	<u><b>3,431</b></u>	<u><b>2,785</b></u>

## 11. TIME DEPOSITS

Time deposits include the following component:

	As at <b>30 September</b> <b>2023</b> <b>(Unaudited)</b> <b>HK\$’000</b>	As at 31 March 2023 (Audited) HK\$’000
Unpledged but with original maturity of more than three months when acquired	<u><b>37,300</b></u>	<u><b>19,700</b></u>

## 12. TRADE PAYABLES

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

	As at <b>30 September</b> <b>2023</b> <b>(Unaudited)</b> <b>HK\$'000</b>	As at 31 March 2023 (Audited) HK\$'000
Within 90 days	<u><b>6,437</b></u>	<u>989</u>

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

## 13. SHARE CAPITAL

### Shares

	Company As at <b>30 September</b> <b>2023</b> <b>(Unaudited)</b> <b>HK\$'000</b>	As at 31 March 2023 (Audited) HK\$'000
Authorised: 2,000,000,000 (31 March 2023: 2,000,000,000) ordinary shares of HK\$0.1 each	<u><b>200,000</b></u>	<u>200,000</u>
Issued and fully paid: 367,380,000 (31 March 2023: 367,380,000) ordinary shares of HK\$0.1 each	<u><b>36,738</b></u>	<u>36,738</u>

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

#### 14. SHARE OPTION SCHEME

On 27 August 2015, the Company adopted a share option scheme (the “**Scheme**”) to provide the Company with the flexibility of granting share options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. Eligible participants of the Scheme include the Company’s Directors, including independent non-executive Directors, other employees of the Group, any advisers, consultants, suppliers and customers of the Group and such other persons who, in the sole opinion of the Board, 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 2023 (2022: Nil). As at the date of this announcement, the total number of securities available for issue under the Scheme was 36,738,000, representing 10% of the issued shares of the Company.

#### 15. CONTINGENT LIABILITIES

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

	<b>As at 30 September 2023 (Unaudited) HK\$’000</b>	<b>As at 31 March 2023 (Audited) HK\$’000</b>
Bank guarantees given in lieu of utility and property rental deposits	<u><b>2,909</b></u>	<u><b>1,466</b></u>

#### 16. COMMITMENTS

The Group had no material capital commitment contracted but not provided for as at 30 September 2023 (31 March 2023: Nil).

#### 17. PLEDGE OF ASSETS

As at 30 September 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\$4,955,000 and HK\$12,681,000, respectively (31 March 2023: HK\$5,021,000 and HK\$12,849,000).

## 18. RELATED PARTY TRANSACTIONS

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Purchase of a motor vehicle	–	250
Computer system maintenance charges	497	366
Purchases of computer equipment	71	28
	<u>71</u>	<u>28</u>

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Short-term employee benefits	2,007	1,801
Post-employment benefits	18	18
	<u>2,025</u>	<u>1,819</u>

## 19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 29 November 2023.

## 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.

As at 30 September 2023, the Group had a total of 33 self-managed offline shops in operation (31 March 2023: 39).

	<b>As at 30 September 2023</b>	As at 31 March 2023	Changes
Hong Kong	<b>26</b>	30	-4
Macau	<u>7</u>	<u>9</u>	<u>-2</u>
<b>TOTAL</b>	<b><u>33</u></b>	<b><u>39</u></b>	<b><u>-6</u></b>

Following the relaxation of anti-epidemic measures and cross border controls over the COVID-19 pandemic (the "COVID-19") in Hong Kong, Macau and Mainland China since the first quarter of 2023, the return of tourism obviously bolstered up the retail sentiment in Hong Kong and Macau. However, possibly due to the change in Mainland travelers' spending behaviour and the global interest rate hike imposing greater uncertainty on economic growth in general, the retail performance did not rebound as strong as generally expected.

After the past three years' unprecedented challenges by the pandemic, the Group has refined its retail operations, restructured its cost hierarchy and eventually resumed its profitability on the core offline retail business as a whole. The Group has become more competitive under difficult business conditions. Even the recovering process might be a bit slower than expected, the retail atmosphere during the six months ended 30 September 2023 was still better than in previous years.



The Group recorded a net profit of about HK\$3.5 million (2022: HK\$5.9 million) for the six months ended 30 September 2023. In the corresponding period last year, the Group recorded a net write-back of lease liabilities of about HK\$5.6 million, government subsidies of about HK\$4.2 million and a gain on disposal of a property of about HK\$1.5 million. In the absence of these significant one-off other income and gains this year, the net profit for the six months ended 30 September 2023 inevitably declined. However, more importantly, the Group's core business improved steadily. The segmental turnover of the Group's offline operations increased by about 9.0% to about HK\$85.2 million (2022: HK\$78.2 million) and if the income effect of the last year's government subsidies of aggregately about HK\$4.2 million was excluded, the recurring segmental profit of the offline segment increased by about 20.3% from about HK\$12.3 million to about HK\$14.8 million for the six months ended 30 September 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 30 September 2023, the Group had 33 (31 March 2023: 39) physical stores in operation. Even the scale of retail network contracted, turnover of the segment still grew by about 9.0% to about HK\$85.2 million (2022: HK\$78.2 million), which was primarily attributed to the double-digit growth of about +17% (2022: -13%) in same-store-sales during the six months ended 30 September 2023.

In Hong Kong, the local retail market was gradually improving after the re-open of the borders and further fueled by the Hong Kong government's Consumption Voucher Scheme and various festival activities to galvanise both local and tourism traffics. The Group recorded the same-store-sales growth of about +9% (2022: -5%) for the period under review. In addition to building retail store strategically at a site with excellent sales-to-cost efficiency, the Group also faded out certain uncompetitive stores upon the expiry of respective tenancies. The Group's priority in retail management was put on the individual shop's profitability and long-term sustainability of the offline operations as a whole.

The Group's offline retail business in Macau staged a strong rebound during the six months ended 30 September 2023. The Macau's same-store-sales growth for the period under review boosted remarkably to about +59% (2022: -43%). Macau is a travel and entertainment city, where economic performance is highly correlated to tourism. Upon easing of the disease and travel control over the COVID-19 by the governments of Macau and Mainland China, the tourist traffic greatly resumed. The local retail atmosphere was swinging to the bright side during the period under review.

The Group remains its strategic focus on running qualitative and profitable retail platforms instead of driven only by sales achievement. The Group has put much effort in recent years to reduce its operating leverage and to moderate its rigid 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 any unfavourable incidence. The Group remained steadfast to control its operating costs and sought rooms to enhance its effectiveness. The segment contributed a segmental profit of about HK\$14.8 million (2022: HK\$16.5 million) for the six months ended 30 September 2023 despite the reduction in total number of point-of-sales and the absence of the government subsidies.

## **Online**

The online business is considered having immense potentials while the competition in the online market is also increasingly fierce. The Group has a designated team to foster the development of the Group's e-commerce business. During the six months ended 30 September 2023, the Group operated online shops via certain popular e-commerce platforms like "Tmall", "Zalora", etc. The online sales was about HK\$1.6 million during the six months ended 30 September 2023 (2022: HK\$2.0 million). The operation incurred a segmental loss of about HK\$0.1 million (2022: HK\$0.1 million) for the period under review.

## **FINANCIAL REVIEW**

### **Turnover and Segment Information**

Turnover of the Group raised by about 8.2% to approximately HK\$86.8 million (2022: HK\$80.2 million) for the six months ended 30 September 2023. The Group's same-store-sales growth rate came up to about +17% (2022: -13%) for the period under review. The increase in sales was mainly contributed by the revival of retail sentiment after re-opening borders in Hong Kong, Macau and Mainland China. 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 increased by about 22.3% to approximately HK\$64.6 million (2022: HK\$52.8 million) for the six months ended 30 September 2023 and the gross margin was substantially strengthened to about 74.4% (2022: 65.8%). Given the stronger retail sentiment and lesser pressure on the Group's aged and slow moving inventories, the Group adjusted retail price upward for most of the in-house brand products, offered fewer price discounts and significantly reduced the scale of bargain sales activities during the six months ended 30 September 2023.

## **Operating Expenses**

The sales environment was gradually easing during the six months ended 30 September 2023 while certain operating costs also started to surge, particularly the rental. The Group's core operating expenses (excluding non-cash write-off, loss on disposal and impairment loss) grew by about 8.7% to approximately HK\$63.6 million (2022: HK\$58.5 million) for the period under review.

Rental is one of the key operating expenses of the Group. Landlords, in general, expected a fast rebound on rentals after re-opening of the borders. 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 2023 soared by about 27.9% to about HK\$25.2 million (2022: HK\$19.7 million). The Group cautiously managed lease negotiation processes and always leveraged the sales potentials and leasing costs in each tenancy renewal. The Group turned down certain renewal offers with unacceptably high rental increment during the period under review. At the same time, the Group relocated certain offline shops to less costly locations with appropriate sales exposure. To maintain competitive, the Group adopts an on-going practice of strategically relocating, consolidating and converting its retail portfolio.

The staff cost also edged up by about 6.6% to approximately HK\$22.6 million (2022: HK\$21.2 million) during the six months ended 30 September 2023, which was managed roughly in line with the sales growth. The total number of staff reduced to 152 at the end of the reporting period (31 March 2023: 183). The above two major expenditures have already accounted for about 75.2% (2022: 69.9%) of the Group's core operating expenses.

Depreciation of property, plant and equipment reduced to approximately HK\$1.6 million (2022: HK\$1.9 million) for the period under review. The Group's finance costs, mainly representing interest on lease liabilities, surged during the six months ended 30 September 2023 to about HK\$1.7 million (2022: HK\$0.5 million). The increase was mainly due to more tenancies being renewed and higher implicit interest rates adopted under interest rate hike environment during the period under review. The Group used to manage operating expenses strictly. Efforts to control costs are in place. Regular review on work procedures is essential to enhance efficiency and in turn, to better moderate the cost increment.

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

The Group successfully negotiated with landlords in last year to make lease modifications and eventually resulted in deep cut 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 of about HK\$5.6 million in the six months ended 30 September 2022. No lease modification leading to lease liability reduction was recorded during the period under review.

## **Government grants**

The Group recognised certain COVID-19 pandemic relief and subsidies from The Government of Hong Kong Special Administrative Region and The Government of Macau Special Administrative Region aggregately of about HK\$4.2 million during the six months ended 30 September 2022. No government grant was received during the period under review.

## **Gain on disposal of properties**

On 13 December 2021, a wholly-owned subsidiary of the Group entered into 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. No gain on disposal of properties was recorded during the period under review.

## **Net Profit**

The Group recorded a net profit for the six months ended 30 September 2023 of about HK\$3.5 million (2022: HK\$5.9 million). The decline in net profit was primarily attributable to the absence of the aforesaid significant non-recurring other income and gains in the six months ended 30 September 2023. More importantly, the Group's core business revived during the period under review.

## **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 30 September 2023, the Group had net assets of approximately HK\$166.0 million (31 March 2023: HK\$162.5 million), comprising non-current assets of approximately HK\$110.4 million (31 March 2023: HK\$76.2 million), net current assets of approximately HK\$82.6 million (31 March 2023: HK\$97.6 million) and non-current liabilities of approximately HK\$27.0 million (31 March 2023: HK\$11.3 million).

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2023, the Group had cash and cash equivalents and time deposits of approximately HK\$33.8 million (31 March 2023: HK\$67.8 million) and HK\$37.3 million (31 March 2023: HK\$19.7 million), respectively. At the end of the reporting period, the Group had aggregate banking facilities of approximately HK\$10.2 million (31 March 2023: HK\$10.0 million) comprising interest-bearing bank overdraft, revolving loans, rental and utility guarantees as well as import facilities, of which approximately HK\$7.2 million had not been utilised (31 March 2023: HK\$8.5 million). The Group had no bank borrowings as at 30 September 2023 (31 March 2023: 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 2023: zero).

## **CASH FLOWS**

During the period under review, net cash flows from operating activities reduced to approximately HK\$6.3 million (2022: HK\$22.0 million), which was mainly attributable to the increase in replenishment of inventories. The net cash flows used in investing activities increased to about HK\$23.4 million (2022: HK\$8.4 million), which was mainly attributed to the increase in time deposits with original maturity more than three months. Net cash flows used in financing activities dropped to about HK\$16.9 million (2022: HK\$78.8 million) was mainly due to the decrease in dividends to the Company's shareholders.

## **SECURITY**

As at 30 September 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\$12.7 million, respectively (31 March 2023: HK\$5.0 million and HK\$12.8 million).

## **COMMITMENTS**

The Group had no material capital commitment contracted but not provided for as at 30 September 2023 (31 March 2023: Nil).

## **CONTINGENT LIABILITIES**

As at 30 September 2023, the Group had contingent liabilities in respect of bank guarantees given in lieu of utility and property rental deposits amounting to approximately HK\$2.9 million (31 March 2023: HK\$1.5 million).

## **HUMAN RESOURCES**

Including the Directors, the Group had 152 (31 March 2023: 183) employees as at 30 September 2023. To attract and retain high quality staff, the Group provided competitive remuneration packages with performance bonuses, mandatory provident fund and insurance coverage as well as entitlements to share options to be granted under a share option scheme based on employees' performance, experience and the prevailing market rate. Remuneration packages were reviewed regularly. Regarding staff development, the Group provided regular in-house training to 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 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**

Looking forward, the path to full market recovery is visible, though it is likely to encounter turbulence in the process and may require more time to achieve. Given a well-controlled pandemic situation allowing Hong Kong and Macau to resume free travels 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 foster e-commerce development. The focus will be placed on strengthening profitability and fueling qualitative growth of the Group's retail business rather than massive expansion.

## **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 2023.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in directorship and other changes in the information of the Directors since the publication of the annual report of the Company for the year ended 31 March 2023 up to the date of this announcement are set out below:

<b>Name of Director</b>	<b>Details of changes</b>
Mr. Ong Benjamin Peng Liong	Appointed as the independent non-executive Director, the chairman of the audit committee and a member of each of the nomination committee and remuneration committee of the Company, with effect from 30 November 2023
Mr. Mak Wing Kit	Resigned as the independent non-executive Director, the chairman of the audit committee and a member of each of the nomination committee and remuneration committee of the Company, with effect from 30 November 2023
Mr. Chu To Ki	Resigned as the independent non-executive Director and a member of each of the audit committee, nomination committee and remuneration committee of the Company, with effect from 18 August 2023

## **DIVIDEND**

The Board did not declare the payment of an interim dividend for the six months ended 30 September 2023 (2022: 3.0 HK cents per ordinary share).

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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 2023.

## **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 applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2023.

## **REVIEW OF FINANCIAL INFORMATION**

The Board has established an audit committee of the Company (the “**Audit Committee**”) with written terms of reference and comprising at least three independent non-executive Directors throughout the six months ended 30 September 2023. 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 2023, 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 2023**

This interim results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (the “**HKEx**”) ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.bauhaus.com.hk](http://www.bauhaus.com.hk)). The Interim Report 2023 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*

Hong Kong, 29 November 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 three independent non-executive Directors, namely Mr. Mak Wing Kit, Mr. Wong Man Tai and Ms. Choi Sze Man, Mandy.*