annual report 2012

BAUHAUS INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code:483)

Contents


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JEANSMITH
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TOUGH

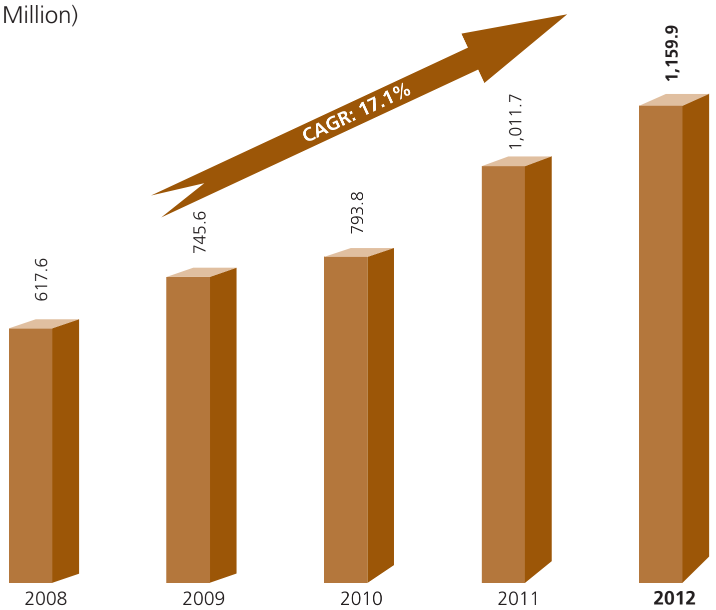
Segment Turnover

Market	Turnover 2012 HK$ million	Turnover 2011 HK$ million	Turnover Change %	Turnover Composition 2012 %	Turnover Composition 2011 %	Turnover Composition Change % pts
By Region						
Hong Kong & Macau	756.2	648.6	↑16.6%	65.2%	64.1%	↑ 1.1%
Taiwan	205.5	161.6	↑27.2%	17.7%	16.0%	↑ 1.7%
Mainland China	176.4	171.1	↑ 3.1%	15.2%	16.9%	↓ 1.7%
Elsewhere	21.8	30.4	↓28.3%	1.9%	3.0%	↓ 1.1%
	1,159.9	1,011.7	↑14.6%	100.0%	100.0%	
By Business						
Retail	1,097.5	923.6	↑18.8%	94.6%	91.3%	↑ 3.3%
Franchise	39.7	57.7	↓31.2%	3.4%	5.7%	↓ 2.3%
Wholesales	22.7	30.4	↓25.3%	2.0%	3.0%	↓ 1.0%
	1,159.9	1,011.7	↑14.6%	100.0%	100.0%	

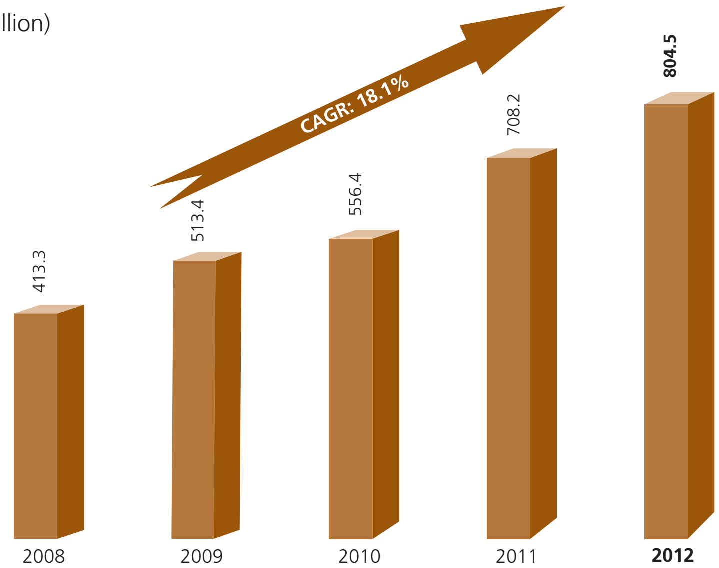
Retail network

		no. of outlets Hong Kong & Macau	no. of outlets Taiwan	no. of outlets Mainland China	TOTAL
As at 31 March 2012					
Self-managed retail network					
In-House Brand	BAUHAUS	39	13	13	65
	TOUGH	8	29	26	63
	SALAD	13	12	5	30
	80/20	7	1	—	8
	Others	5	6	—	11
Licensed Brand	SUPERDRY	7	17	1	25
Sub-total number of shops		79	78	45	202
Aggregate floor area (in Sq. feet)		99,163	59,105	63,305	221,573
Franchise network					
TOUGH		—	—	34	34
SALAD		—	—	8	8
Sub-total number of shops		—	—	42	42
TOTAL number of shops		79	78	87	244
As at 31 March 2011					
Self-managed retail network					
In-House Brand	BAUHAUS	39	7	7	53
	TOUGH	10	24	27	61
	SALAD	10	10	6	26
	80/20	5	1	1	7
	Others	7	2	—	9
Licensed Brand	SUPERDRY	4	9	—	13
Sub-total number of shops		75	53	41	169
Aggregate floor area (in Sq. feet)		98,588	37,800	54,326	190,714
Franchise network					
TOUGH		—	—	54	54
SALAD		—	—	11	11
Sub-total number of shops		—	—	65	65
TOTAL number of shops		75	53	106	234

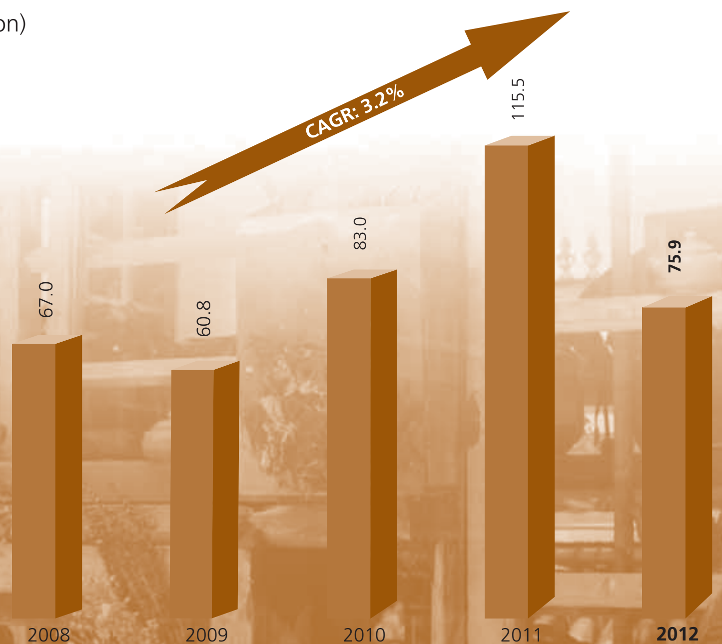
Sales Growth (HK$ Million)



Gross Profit (HK$ Million)



Net Profit (HK$ Million)




TOUGH JEANS INC
TOUGH JEANSMIT


bauhaus
CHOOSE
YOUR
SKIN
COLOR
COLOR
LEATHER
JACKET
COLLECTION

		Notes	FY 11/12	FY 10/11	Change +/-
Key Financial Ratios					
Performance					
Gross Margin	(%)	1	**69.4**	70.0	-0.6% pt.
Net Profit Margin	(%)	2	**6.5**	11.4	-4.9% pts.
Return on Average Equity	(%)	3	**15.0**	25.1	-10.1% pts.
Return on Average Assets	(%)	4	**11.4**	20.4	-9.0% pts.
Operating					
Inventory Turnover Days		5	**243**	196	47 days
Debtors' Turnover Days		6	**10**	10	—
Creditors' Turnover Days		7	**22**	20	2 days
Liquidity and Gearing					
Current Ratio		8	**2.2**	3.3	-33.3%
Quick Ratio		9	**0.8**	1.7	-52.9%
Gearing Ratio	(%)	10	**6.6**	—	6.6% pts.
Per Share Data					
Book Value Per Share	(HK cents)	11	**143.8**	137.7	4.4%
Basic Earnings Per Share	(HK cents)	12	**21.1**	32.1	-34.3%
Diluted Earnings Per Share	(HK cents)	13	**21.0**	32.1	-34.6%
Dividend Per Share					
Interim	(HK cents)		**2.0**	2.0	—
Proposed Final	(HK cents)		**6.5**	10.7	-39.3%
Proposed Special	(HK cents)		**—**	5.0	-100.0%
			8.5	17.7	-52.0%
Dividend Payout Ratio	(%)	14	**40.3**	55.1	-14.8% pts.

Notes:

1 "Gross Margin" is based on gross profit divided by turnover for the year.

2 "Net Profit Margin" is calculated as the profit for the year attributable to owners of the parent divided by turnover for the year.

3 "Return on Average Equity" represents the profit for the year attributable to owners of the parent divided by average of opening and closing balance of shareholders' equity.

4 "Return on Average Assets" represents the profit for the year attributable to owners of the parent divided by average of opening and closing balance of total assets.

5 "Inventory Turnover Days" is based on average of opening and closing balance of inventories divided by cost of sales and then multiplied by number of days during the year.

6 "Debtors' Turnover Days" is based on average of opening and closing balance of trade receivables divided by turnover and then multiplied by number of days during the year.

7 "Creditors' Turnover Days" is based on average of opening and closing balance of trade payables divided by purchases and then multiplied by number of days during the year.

8 "Current Ratio" represents current assets divided by current liabilities.

9 "Quick Ratio" represents current assets less inventories then divided by current liabilities.

10 "Gearing Ratio" represents total interest-bearing bank borrowings divided by total assets.

11 "Book Value Per Share" represents shareholders' equity divided by the total number of issued shares at the end of reporting period of 359,450,000 (2011: 359,450,000).

12 "Basic Earnings Per Share" is calculated as the profit for the year attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the year under review of 359,450,000 (2011: 359,450,000).

13 "Diluted Earnings Per Share" is calculated as the profit for the year attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the year under review and all dilutive potential ordinary shares of 361,189,207 (2011: 359,450,000) in aggregate.

14 "Dividend Payout Ratio" represents the aggregate dividends declared and proposed for the year under review divided by the profit for the year attributable to owners of the parent.

NAME OF THE COMPANY

Bauhaus International (Holdings) Limited
包浩斯國際（控股）有限公司

DIRECTORS

Executive directors:

Mr. Wong Yui Lam *(Chairman and Chief Executive Officer)*
Madam Lee Yuk Ming
Mr. Yeung Yat Hang

Independent non-executive directors:

Mr. Chu To Ki
Mr. Mak Wing Kit
Dr. Wong Yun Kuen

COMPANY SECRETARY

Mr. Li Kin Cheong, CPA, FCCA

QUALIFIED ACCOUNTANT

Mr. Li Kin Cheong, CPA, FCCA

AUTHORISED REPRESENTATIVES

Mr. Wong Yui Lam
Madam Lee Yuk Ming

AUDIT COMMITTEE

Mr. Mak Wing Kit *(Chairman)*
Mr. Chu To Ki
Dr. Wong Yun Kuen

REMUNERATION COMMITTEE

Mr. Mak Wing Kit *(Chairman)*
Mr. Chu To Ki
Dr. Wong Yun Kuen

NOMINATION COMMITTEE

Dr. Wong Yun Kuen *(Chairman)*
Mr. Chu To Ki
Mr. Mak Wing Kit

PRINCIPAL AUDITORS

Ernst & Young, *Certified Public Accountants*
22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
382–384 Prince Edward Road
Kowloon City
Kowloon
Hong Kong

INVESTOR RELATION

Strategic Financial Relations Limited
Unit A, 29/F, Admiralty Centre I
18 Harcourt Road, Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 501, Sino Industrial Plaza
9 Kai Cheung Road
Kowloon Bay, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Bank (Cayman) Limited
Butterfield House
68 Fort Street, P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Listing information

Listing exchange	Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")
Listing date	12 May 2005
Stock code	483

Share information

Board lot size	2,000 shares
Par value	HK$0.10

Shares	**As at 31 March 2012** No. of shares	**As at 31 March 2011** No. of shares
Authorised shares	2,000,000,000	2,000,000,000
Issued shares	359,450,000	359,450,000
	FY 2011/12 HK cents	**FY 2010/11** HK cents
Basic earnings per share	21.1	32.1
Diluted earnings per share	21.0	32.1
Dividend per share		
Interim	2.0	2.0
Proposed final	6.5	10.7
Proposed special	—	5.0
TOTAL	8.5	17.7

Key dates

2010/11 annual results announcement	21 June 2011
Closure of Register of Members for 2010/11 annual general meeting	9 August 2011 to 11 August 2011 *(both days inclusive)*
2010/11 annual general meeting	11 August 2011
Closure of Register of Members for 2010/11 proposed final and special dividends	17 August 2011 to 19 August 2011 *(both days inclusive)*
Payment of 2010/11 final and special dividends	8 September 2011
2011/12 interim results announcement	24 November 2011
Closure of Register of Members for 2011/12 interim dividend	18 January 2012 to 20 January 2012 *(both days inclusive)*
Payment of 2011/12 interim dividend	9 February 2012
2011/12 annual results announcement	21 June 2012
Closure of Register of Members for 2011/12 annual general meeting	14 August 2012 to 16 August 2012 *(both days inclusive)*
2011/12 annual general meeting	16 August 2012
Closure of Register of Members for 2011/12 proposed final dividend	22 August 2012 to 24 August 2012 *(both days inclusive)*
Payable of proposed final dividend	20 September 2012
Internet website	www.bauhaus.com.hk
Financial year end	31 March
Interim period end	30 September

On behalf of the board of directors (the "Board"), I am pleased to present the annual results of Bauhaus International (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2012.

The past 12 months have proved to be a challenging period for the Group. While Hong Kong, Macau and Taiwan continued to serve as our foundation, providing a stable source of revenue, Mainland China experienced a gradual slowdown in economic growth following implementation of credit controls by the Government. Consumers in first-tier cities subsequently became more conservative in their spending habits, with trendy products being hardest hit. Moreover, rents, wages and raw material costs in the Greater China region all rose substantially. The culmination of these factors created a highly difficult operating environment.

To cope with the conditions and maintain steady development, we adopted a three-pronged strategy, focusing marketing efforts on promoting specific products; increasing the proportion of imported brands to support product diversification; and enhancing the profitability of each retail store.

Highly focused marketing strategy for promoting key products

Over the past several years, we have continuously strengthened Bauhaus' reputation as a leading trendy fashion brand. The Group successfully launched several product lines, such as leather jackets and accessories, which placed us at the forefront of the market. We will continue to direct resources toward promoting products that have high growth potential, and will also review every aspect of our supply chain, from production, shop renovation to marketing activities, in order to boost sales of these popular items. What is more, we will improve the quality of our products still further by using premium raw materials to enhance their value, and thus boost profitability.

Introduction of fashionable brands for enhancing the shopping experience of customers

Apart from nurturing our in-house brands, the Group believes in the introduction of more imported labels that enrich our product mix. The introduction of an English brand, "SUPERDRY", set a good example on our endeavour. In turn, this delivers a fresh new experience to our customers every time they visit our stores, bolster the brand image of the Group, and ultimately, stimulate spending. Bearing in mind the goal of raising profitability, the Group will introduce fashionable brands that have immense market potential and possess margin that is comparable to the Group's in-house brands.

Raising the efficiency of existing retail stores

In the face of escalating rent and staff costs, particularly in Hong Kong and Macau, we will focus on nurturing the growth of our existing retail stores rather than rapidly expanding our sales network. We will relocate certain sales points to more cost-effective locations, and consolidate the sales network in Hong Kong and Macau to achieve greater efficiency. At the retail level, we will strive to enhance productivity by strengthening the quality of our sales services. More resources will be allocated for training front-line staff in order to improve their product knowledge, interaction skills and conduct. The Group has also invested in information technology, which will help improve overall efficiency. Through the aforesaid measures, we are confident in our ability to enhance the performance of individual shops, thus maintain healthy business development.

Sustaining healthy financial growth

In view of the challenging operating environment in Mainland China, and mixed results of our newly opened retail shops, the Group will pay extra attention to the performance of all its sales points in the country, and will consider moderating the pace of expansion in line with regional conditions.

Large-scale sales promotions have proven to be effective not only in decreasing our inventory level and reducing slow-moving items, but also increasing cash flow. As a result, we will continue to employ similar sales programs in the coming year to further improve the Group's liquidity.

In terms of enhancing business development, the Group elected to sell an under-utilised warehouse in April 2012 to retain cash for the Group's development, provide greater general working capital, as well as the flexibility for accommodating future developments.

Adhering to a dividend policy that recognizes shareholders' support

Consistent with our policy of distributing not less than 40% of the Group's net profit in dividends, and in recognition of shareholders' continuous support, the Board has recommended the payment of HK6.5 cents as a final dividend. Combined with an interim dividend of HK2.0 cents declared for the six months ended 30 September 2011, total dividend for the year will amount to HK8.5 cents per share, representing a dividend payout ratio of approximately 40.3%.

Looking ahead, the volatile operating environment is expected to persist, compounded by an anticipated rise in rents, wages and raw material costs. We will therefore implement a series of measures aimed at enhancing profitability and raising greater brand recognition. Correspondingly, we will strive to deliver favorable returns to our shareholders, which remain among the Group's top priorities.

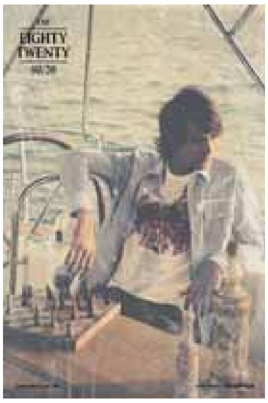
Appreciation

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, business partners and customers for their continuous support. Appreciation must also be extended to the management team and entire Bauhaus workforce.

Wong Yui Lam
Chairman

Hong Kong, 21 June 2012

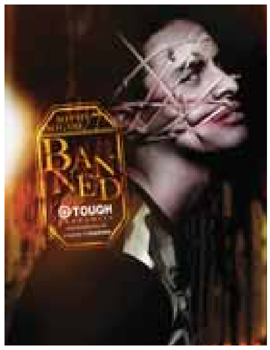

EIGHTY
TWENTY


EIGHTY
TWENTY


EIGHTY
TWENTY


Superdry.


TOUGH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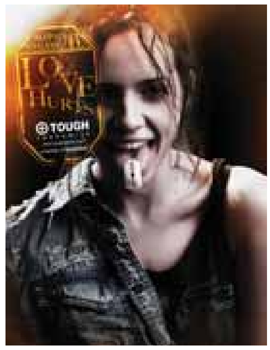
TOUGH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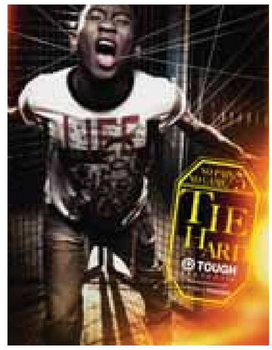
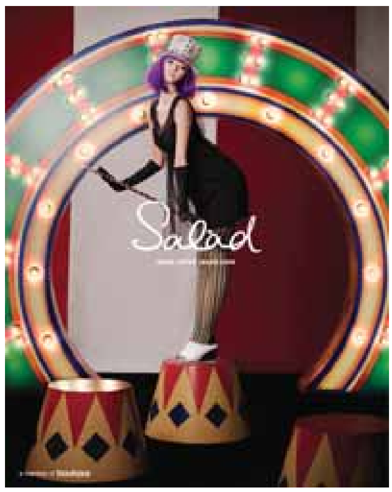

TOUGH


Salad


Salad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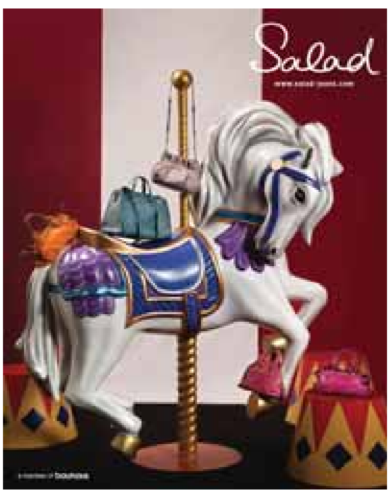
Salad


twistedmind


LADY GAGA


Salad
bauhaus


bauhaus


Salad
CAFE


bauhaus


bauhaus 電影院


SuperdryStore.
Superdry.


bauhaus
bauhaus


EIGHTY
TWENTY


bauhaus


TOUGH
Jeansmith


TOUGH Jeansmith


Salad


Salad
SALAD


SALAD

BUSINESS REVIEW

The Group recorded an aggregate turnover of approximately HK$1,159.9 million (2011: HK$1,011.7 million) in the year ended 31 March 2012, a growth rate of about 14.6% over the corresponding year in 2011. However, the Group's net profits decreased by about 34.3% to approximately HK$75.9 million (2011: HK$115.5 million) and the net profit margin was reduced from about 11.4% for the year ended 31 March 2011 to about 6.5% for the year ended 31 March 2012.

The retail markets along with consumer sentiment in the regions within which the Group operates remained strong in the first half of the financial year. With the worsening of the European debt crisis as well as tightening credit controls in Mainland China, however, an economic slowdown became obvious in the second half of the financial year. The retail performance both globally and in Mainland China has weakened since the third quarter of 2011. On the other hand, major operating costs for rental, salary and raw materials continued to surge, which created a difficult operating environment for the Group's business, trimming the Group's profitability. In order to enhance the Group's flexibility to cope with the uncertain market environment, the Group focused on improving its operational efficiency rather than merely expand its scale of business. In particular, the Group aggressively streamlined non-performing business operations in Mainland China during the year under review. Although the consolidation in Mainland China, including closure of poor performing self-managed retail shops and downsizing of the franchise network, has adversely affected the Group's results during the year under review, the Group has continuously worked to create a solid business foundation and to develop the Group's business at a prudent and healthy pace over the long term.

As at 31 March 2012, the Group's self-managed retail outlets and franchised outlets were located in Hong Kong, Macau, Mainland China and Taiwan as outlined below. These include outlets mostly under the Group's in-house brand names of "BAUHAUS," "TOUGH Jeansmith," "SALAD" and "80/20" as well as an English licensed brand of "SUPERDRY."

	As at 31 March 2012	As at 31 March 2011	Net Changes
Self-managed Outlets			
Hong Kong & Macau	**79**	75	+4
Taiwan	**78**	53	+25
Mainland China	**45**	41	+4
	202	169	+33
Franchised Outlets			
Mainland China	**42**	65	-23
TOTAL	**244**	234	+10

Hong Kong and Macau

Turnover from Hong Kong and Macau is mostly derived from the self-managed retail business, which accounted for about 65.2% (2011: 64.1%) of the Group's turnover. This business segment achieved a double-digit growth in sales of about 16.6% to about HK$756.2 million (2011: HK$648.6 million) during the year under review. Segment profit before tax increased remarkably by about 30.5% to about HK$149.4 million (2011: HK$114.5 million). During the year under review, while only four retail shops were added in Hong Kong and Macau, the Group actually devoted considerable effort in enhancing the efficiency and profitability of the retail portfolio as a whole. The Group fine-tuned its merchandising mix, closed down certain non-performing shops and relocated shops to other prime shopping locations that commanded lower rent. The Group remains committed to maintaining a robust, dynamic and diverse network to explore opportunities and capture market potential in Hong Kong and Macau.

Mainland China

This financial year was challenging for the Group's Mainland China operation. During the year under review, the turnover from Mainland China increased slightly by about 3.1% to about HK$176.4 million (2011: HK$171.1 million). Retail sales in Mainland China recorded a growth of about 19.8% to approximately HK$135.8 million (2011: HK$113.4 million). However, the franchise turnover significantly dropped by about 31.2% to about HK$39.7 million (2011: HK$57.7 million). The segment results before tax of Mainland China operation turned from a profit of about HK$19.7 million in the last year to a loss of about HK$18.7 million for the year ended 31 March 2012.

In the second quarter of 2011, the domestic retail markets still remained vibrant. The Group managed to expand its retail networks as planned. However, the weakening in Mainland China's economy became evident since the third quarter of 2011, which resulted in rapid deterioration in its market sentiment. The Group's retail and franchise businesses were inevitably affected and the self-managed retail operations recorded a negative same-store growth of about 5% during the year under review. Also, the strong inflationary operating environment continued and significantly pushed up operating expenses, particularly rentals and salaries, across the region.

In view of the increasing uncertainty and difficulty in Mainland China's economy and business environment, the Group greatly streamlined the non-performing business operations in the region by closure of more than 10 poor performing self-managed retail shops and eliminating nearly one-third of the total number of franchisees during the second half of the financial year. The restructuring has resulted in added one-off costs incurred in the year under review, mainly including loss on disposal of fixed assets, impairment loss on fixed assets, write-off of rental deposits and compensation for termination of lease, of about HK$8.0 million in aggregate.

While the prospects of both the retail and franchise business segments in the region are expected to be volatile in the near future, the Group remained cautiously optimistic about maintaining growth over the long term. Therefore, the Group has invested more resources in enhancing operational efficiency, providing more training to the Group's workforce and closely coordinating activities with the Group's franchise partners to weather the challenges in the marketplace.

Taiwan

The Group has engaged in self-managed retail operations in Taiwan over a decade. During the year under review, the Group significantly expanded its retail coverage on the island by opening 25 new shops. Retail sales from Taiwan's operations increased by about 27.2%, again achieving a record of approximately HK$205.5 million (2011: HK$161.6 million). In addition to expanding its footprint through in-house labels, the Group also extended the retail coverage of a growing licensed brand, "SUPERDRY," to the Taiwan market by adding eight more "SUPERDRY" shops during the year under review. As at 31 March 2012, there was a total of 78 shops in Taiwan of which 17 were "SUPERDRY" shops. However, the Taiwan's segment profit before tax significantly dropped by about 63.1% to about HK$14.4 million (2011: HK$39.0 million), which was mainly because of substantial pre-operating expenses incurred in opening new shops, a significant increase in rental costs as well as a sharp rise in provision on aged slow-moving inventories. Although there might be many challenges in the global economic environment, with a solid foundation in Taiwan built up over ten years and effective branding efforts, the Group is well-prepared to deal with the difficulties encountered on the island.

Elsewhere

The Group extended its business coverage to several overseas countries through wholesale operations, with a particular focus on Asia. Japan is the Group's largest overseas wholesale market. However, due to the impact of Japan's devastating earthquake and tsunami in March 2011, overall sales from the segment dropped by about 28.3% to about HK21.8 million (2011: HK$30.4 million). The Group will try to maintain the scale of operations in this segment to address demand from existing customers.

FINANCIAL REVIEW

Turnover

The aggregate turnover of the Group rose by about 14.6% to approximately HK$1,159.9 million (2011: HK$1,011.7 million) for the year ended 31 March 2012, This turnover comprised sales from retail operations of around HK$1,097.5 million (2011: HK$923.6 million), sales from the franchise business of about HK$39.7 million (2011: HK$57.7 million) and sales from the wholesale business of about HK$22.7 million (2011: HK$30.4 million). The retail business was the largest sales contributor, accounting for about 94.6% (2011: 91.3%) of the total turnover and achieving a year-on-year growth of about 18.8%.

Operating Segment Information

Detailed information of the Group's turnover and its contribution to profit before tax by segment is shown in Note 4 to the consolidated financial statements.

Gross Profit

The Group's gross profit rose by about 13.6% to approximately HK$804.5 million (2011: HK$708.2 million) in the year ended 31 March 2012 and the gross margin has been successfully maintained at a nearly identical level of about 69.4% (2011: 70.0%) compared with last year.

Even through the increase in product costs, mainly as a result of increments in raw materials and labour costs, has imposed pressure on the Group's gross margin in the year under review, the Group enacted certain effective measures to compensate for the adverse effect. During the year under review, supported by enhanced brand building efforts, the Group generally increased the retail price of in-house branded products, particularly for certain popular items with a higher rise in average selling price. As a result, the Group was capable of maintaining its overall gross margin at a relatively stable level.

Operating Expenses

The Group's operating expenses increased by about 24.8% to approximately HK$703.8 million during the year ended 31 March 2012 (2011: HK$563.9 million), equivalent to roughly 60.7% of total turnover (2011: 55.7%).

Rental cost of land and buildings, which accounted for about 42.5% (2011: 44.1%) of the Group's total operating expenses and equivalent to about 25.8% (2011: 24.6%) of the Group's turnover, rose by about 20.2% to approximately HK$298.9 million (2011: HK$248.7 million) mainly because of a market increase in rents and the number of stores and gross shop areas leased by the Group. Staff cost was another major operating cost and increased by about 22.8% to approximately HK$213.0 million during the year ended 31 March 2012 (2011: HK$173.4 million). Depreciation charges rose by about 39.1% to approximately HK$38.4 million for the year ended 31 March 2012 (2011: HK$27.6 million). Marketing expenses jumped to approximately HK$31.4 million (2011: HK$22.8 million) for the year under review, an increase of about 37.7%, and were aimed at strengthening the images of multiple brands and widening exposure of the Group's in-house brands to its target consumers.

Finance Cost

The Group incurred a finance cost of about HK$1.3 million (2011: Nil) during the year under review, which represented the interest expenses paid for bank borrowings.

Net Profit

The Group's net profit attributable to shareholders declined by about 34.3% from approximately HK$115.5 million for the year ended 31 March 2011 to approximately HK$75.9 million for the year ended 31 March 2012. Net profit margin also dropped from about 11.4% to about 6.5%.

CAPITAL STRUCTURE

As at 31 March 2012, the Group had net assets of approximately HK$517.0 million (2011: HK$494.9 million), comprising non-current assets of approximately HK$287.8 million (2011: HK$203.6 million), net current assets of approximately HK$231.1 million (2011: HK$292.8 million) and non-current liabilities of approximately HK$1.9 million (2011: HK$1.5 million).

ACQUISITION OF PROPERTIES

During the year ended 31 March 2012, the Group acquired certain properties situated in Hong Kong for an aggregate consideration of about HK$56.6 million. The transactions were completed on 22 July 2011. The aforesaid properties were used as the central warehouse to support the Group's retail and distribution business.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2012, the Group had cash and cash equivalents of about HK$86.2 million (31 March 2011: HK$153.9 million). At the end of the reporting period, the Group had aggregate banking facilities of about HK$111.5 million (31 March 2011: HK$22.0 million) comprising interest-bearing bank overdraft, mortgage loans and revolving loans, rental and utility guarantees as well as import and export facilities, of which about HK$55.4 million had not been utilised. In particular, the Group had bank borrowings of about HK$46.8 million as at 31 March 2012 (31 March 2011: Nil), which were in Hong Kong dollars, repayable within three years and bearing interest at variable rates ranging from Hong Kong Interbank Offerred Rate plus 1.2% per annum to the Best Lending Rate (as of 31 March 2012: 5%) plus 1.5% per annum. The Group's gearing ratio at the end of the reporting period, representing a percentage of total interest-bearing bank borrowings to total assets, amounted to about 6.6% (2011: Nil).

CASH FLOWS

For the year ended 31 March 2012, net cash inflow from operating activities dropped to approximately HK$60.2 million (2011: HK$68.1 million), which was mainly attributed to increase in inventory level. Net cash outflow from investing activities increased significantly from approximately HK$86.1 million in the corresponding year of 2011 to approximately HK$115.7 million in the year under review, mainly because of significant increase in capital expenditure for the expansion of retail shop network and acquisition of certain properties in Hong Kong. Net cash outflow from financing activities during the year under review dropped significantly to HK$16.9 million (2011: HK$55.7 million). The Group has paid dividends of about HK$63.6 million (2011: HK$55.7 million) during the year under review. The drop in net cash outflow from financing activities was mainly because the Group obtained certain bank borrowings to acquire properties and to increase general working capital.

SECURITY

As at 31 March 2012, the Group's general banking facilities were secured by certain of its leasehold land and buildings with aggregate carrying value of approximately HK$102.7 million (2011: HK$9.4 million).

CAPITAL COMMITMENT

As at 31 March 2012, both the Group and the Company had no material capital commitments in respect of the acquisition of items of property, plant and equipment contracted, but not provided for in the financial statements (2011: Nil).

CONTINGENT LIABILITIES

As at 31 March 2012, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK$5.5 million (2011: HK$5.5 million). The Company had no material contingent liabilities as at the end of the reporting period (2011: Nil).

HUMAN RESOURCES

Including all directors, the Group had 1,659 employees as at 31 March 2012 (2011: 1,673). To attract and retain high performance staff, the Group has provided competitive remuneration packages with performance bonuses, mandatory provident fund, insurance, medical coverage and entitlements to share options to be granted under a share option scheme based on employees' performance, experience and prevailing market rate. Remuneration packages were reviewed regularly. Regarding staff development, the Group provided regular in-house training to retail staff and subsidised them on external training programmes.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's sales and purchases during the year were mostly denominated in Hong Kong dollars, US dollars, Euros and Renminbi. The Group was exposed to certain foreign currency exchange risks while 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.

The Group's objective and policies in foreign exchange risk management and other major financial risk management are set out in Note 35 to the consolidated financial statements.

DIRECTORS

Executive Directors

Mr. Wong Yui Lam, aged 54, is the founder, the Chairman, the Chief Executive Officer and the Authorised Representative of the Group. He is responsible for the overall management and strategic planning of the Group. Mr. Wong conceived the concept and brand name "TOUGH", the first in-house brand of the Group, and is responsible for overall development including design and direction of the brand. Mr. Wong has over 19 years of experience in fashion industry. He was awarded the Teacher's Certificate by Sir Robert Black College of Education in 1981.

Madam Lee Yuk Ming, aged 44, is the General Manager and the Authorised Representative of the Group. She is responsible for implementation of corporate strategies and co-ordination among different departments and business units of the Group. Madam Lee is also responsible for administration, accounting and financial control functions of the Group. Madam Lee is an associate member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. She obtained a diploma in Management Studies from the Hong Kong Polytechnic University/Hong Kong Management Association in 1998. Madam Lee has over 22 years of experience in different areas including accounting, finance and management. She joined the Group in April 2002.

Mr. Yeung Yat Hang, aged 35, is the Operation Manager of the Group. Mr. Yeung is responsible for overseeing the Group's business operation in Mainland China. He is also responsible for the Group's leasing affairs and executing various development projects. Mr. Yeung has extensive experience in business negotiation, project management, shop design and formulation of operational strategies. He joined the Group in May 1994 and had been a personal assistant to Mr. Wong Yui Lam.

Independent Non-Executive Directors

Dr. Wong Yun Kuen, aged 54, was appointed as an Independent Non-Executive Director on 1 May 2005. Dr. Wong received his Ph.D. Degree from Harvard University in 1989. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and is a member of Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited, and the independent non-executive director of China Grand Forestry Green Resources Group Limited, Climax International Company Limited, Kingston Financial Group Limited, Harmony Asset Limited, Hua Yi Copper Holdings Limited, Kaisun Energy Group Limited, Kong Sun Holdings Limited, China Yunnan Tin Minerals Group Company Limited, New Island Printing Holdings Limited and ZMAY Holdings Limited. All the aforesaid companies are listed either on the Main Board or GEM Board of the Stock Exchange of Hong Kong Limited.

Mr. Chu To Ki, aged 46, was appointed as an Independent Non-Executive Director on 1 May 2005. Mr. Chu graduated from the University of Hong Kong in June 1998 with Postgraduate Certificate in Laws and obtained from Manchester Metropolitan University a Bachelor Degree in Laws in September 1999. Mr. Chu was admitted as a solicitor of the High Court of Hong Kong in March 2000. Mr. Chu has over 22 years of working experience in the legal field in Hong Kong. Mr. Chu is currently a principal of a solicitors firm at TKC Lawyers.

Mr. Mak Wing Kit, aged 44, was appointed as an Independent Non-Executive Director on 1 May 2005. Mr. Mak graduated from the Boston University in United States in 1997 with a Master Degree of Science in Administrative Studies. Mr. Mak is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Mak has over 18 years of experience in auditing, accounting, company secretarial and financial control in Hong Kong. Mr. Mak is currently the financial controller of a private company based in Hong Kong and People's Republic of China ("PRC").

SENIOR MANAGEMENT

Mr. Chan Chi Keung, aged 61, is the General Manager – Production of the Group and the legal representative of 汕頭市包浩斯服飾製品有限公司 ("Bauhaus Shantou"), a wholly-owned subsidiary of the Group. Mr. Chan is responsible for the supervision of production processes at the production site operated by the Group in the PRC and the sourcing of raw materials from suppliers in the PRC. Mr. Chan has over 26 years of manufacturing experience in the clothing and fashion accessory industry. Mr. Chan joined the Group in August 2001.

Mr. Chan Chung Kai, aged 47, is the Strategic Marketing Director of the Group. Mr. Chan is responsible for the Group's strategic marketing plans, buying strategies and procurement of fashion labels. Mr. Chan has over 20 years of experience in strategic marketing, brand development and visual merchandising and he had successfully introduced certain foreign brands into Hong Kong market with overwhelming responses. Prior to joining the Group in January 2007, Mr. Chan gained extensive strategic marketing experience in a fashion group.

Madam Fan Ching Shan, Susan, aged 49, is the Design & Merchandising Director of the Group. She is responsible for all activities concerning design direction, product planning, material and factory sourcing, production capacity planning as well as garment merchandising. Madam Fan obtained a diploma in management studies from the Hong Kong Polytechnic University/Hong Kong Management Association in 1999. Madam Fan has over 27 years of product development, merchandising, sales and marketing experience in Hong Kong and overseas markets. She joined the Group in July 2001.

Mr. Li Kin Cheong, aged 36, is the Financial Controller, the Company Secretary and the Qualified Accountant of the Group. He is responsible for overseeing the Group's financial management, accounting and company secretarial affairs. Mr. Li is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He holds a Master degree in Business Administration from The Chinese University of Hong Kong and a Bachelor degree in Accountancy from the Hong Kong Polytechnic University. He has over 14 years of experience in accounting, auditing, corporate finance and company secretarial affairs. Prior to joining the Group in June 2005, he was a manager of an international accounting firm.

Madam Chan Wai Chun, Candy, aged 46, is the Administration Manager of the Group. She is responsible for administration and human resources management of the Group. Madam Chan has over 22 years of shop management and administration experience in Hong Kong. She has been with the Group since the opening of its first Bauhaus shop in 1991.

The Company is committed to maintaining a high standard of corporate governance which serves as a vital element of risk management throughout the growth and expansion of the Company. The board of directors (the "Board") of the Company emphasises on maintaining and conducting sound and effective corporate governance structure and practices. Throughout the year ended 31 March 2012, the Company has complied with the applicable code provision of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange except for the deviation from provision A.2.1 in respect of the roles of chairman and chief executive officer of the Company. Explanations for such non-compliance are discussed later in the section "Chairman and Chief Executive Officer" in this Corporate Governance Report.

BOARD OF DIRECTORS

The Board is collectively responsible for the management and operations of the Company, and is charged with a mission of promoting success and providing effective leadership to the Company. All directors of the Company (the "Directors") are aware of their collective and individual responsibilities to the shareholders, the duties to act honestly and in good faith in the interest of the shareholders and the Company as a whole and to avoid conflict of interests.

The Board is responsible for formulating corporate strategies of the Company, setting goals and objectives for the management as well as monitoring and controlling the performance of the management. The management of the Company implements the strategic plans and deals with day-to-day operational matters of the Group under the delegation and authority of the Board.

In compliance with Rule 3.10(1) and (2) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, who have represented at least one-third of the Board. The Board considers that all the independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of the shareholders of the Company.

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence as required under Rule 3.13 of the Listing Rules. The Company considered all the independent non-executive Directors to be independent. The independent non-executive Directors are explicitly identified in all corporate communications.

Each of the independent non-executive Directors has taken up the role as an independent non-executive Director for an initial term of one year and is subject to retirement and re-election in accordance with the articles of association of the Company.

If a Director has conflict of interest in a transaction or proposal to be considered by the Board and which the Board has determined to be material, the individual Director concerned has to declare his/her interest and is required to abstain from voting. The matter is considered at a Board meeting with the presence of the independent non-executive Directors who have no material interest in the transaction.

The Company has arranged appropriate liability insurance to indemnify the Directors for their liabilities arising out of corporate activities. The insurance coverage will be reviewed regularly to ensure its effectiveness and sufficiency.

As at 31 March 2012, the Board comprised six directors including three executive directors and three independent non-executive directors. The biographical details of the Directors are set out in the section of "Directors and Senior Management" on pages 20 to 21 of this Annual Report.

BOARD OF DIRECTORS *(Continued)*

The members of the Board for the year ended 31 March 2012 and up to the date of this report are as follows:

Executive Directors

Mr. Wong Yui Lam *(Chairman and Chief Executive Officer)*
Madam Lee Yuk Ming
Mr. Yeung Yat Hang

Independent Non-Executive Directors

Mr. Chu To Ki
Mr. Mak Wing Kit
Dr. Wong Yun Kuen

The relationship among the members of the Board, if any, are disclosed under the section headed "Directors and Senior Management" of this Annual Report.

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the roles of the chairman (the "Chairman") and chief executive officer (the "CEO") of the Company are not separated and are performed by the same person. Mr. Wong Yui Lam ("Mr. Wong") held and is currently holding both positions. Being the founder of the Group, Mr. Wong has substantial experience in fashion business industry. The Board considers that the present structure provides the Group with strong and consistent leadership which facilitates the development of the Group's business strategies and execution of its business plans in a most efficient and effective manner. The Board believes that it is in the best interest of the Company and its shareholders as a whole that Mr. Wong continues to assume the roles of the Chairman and the CEO.

BOARD MEETINGS

Board meetings are held regularly and at least four times a year at approximately quarterly intervals. For regular Board meetings, notices of at least 14 days together with respective agendas are given to facilitate maximum attendance of the Directors. At the meeting, the Directors are provided with the relevant documents to be considered and approved. Draft minutes of Board meeting are circulated to all the Directors for comments. Minutes of Board meetings are taken by the company secretary of the Company (the "Company Secretary") or a duly appointed secretary of the Board meeting and are open for inspection by any Director.

Seven meetings of the Board were held during the year under review and details of the Directors' attendance, on a named basis, are set out as follows:

Member of the Board	Attendance
Mr. Wong Yui Lam *(Chairman and Chief Executive Officer)*	7 out of 7
Madam Lee Yuk Ming	7 out of 7
Mr. Yeung Yat Hang	7 out of 7
Mr. Chu To Ki	7 out of 7
Mr. Mak Wing Kit	7 out of 7
Dr. Wong Yun Kuen	7 out of 7

BOARD COMMITTEES

The Board established three committees, namely the audit committee, the remuneration committee and the nomination committee, on 22 April 2005 with written terms of references in compliance with the CG Code. All those committees comprise three independent non-executive Directors, namely, Mr. Mak Wing Kit, Mr. Chu To Ki and Dr. Wong Yun Kuen, who have appropriate professional qualifications and experiences in accounting, legal affairs, financial and/or business management. The committee members may call any meetings at any time when necessary or desirable.

Audit Committee

The primary duties of audit committee are to make recommendation to the Board on the appointment, re-appointment and removal of external auditors, to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal; to review and monitor the integrity of the Group's financial information (including, but not limited to, the Group's financial statements, half-year report and annual report, etc.); to oversee the Group's financial reporting system and internal control procedures; and to develop and review the Group's corporate governance functions delegated by the Board.

Two meetings of the audit committee were held during the year under review and details of the Directors' attendance, on a named basis, are set out as follows:

Member of the audit committee	Attendance
Mr. Mak Wing Kit *(Chairman)*	2 out of 2
Mr. Chu To Ki	2 out of 2
Dr. Wong Yun Kuen	2 out of 2

During the year under review, the audit committee reviewed the Group's consolidated financial statements, interim and annual reports, the accounting principles and practices adopted, internal control and financial reporting systems, and also plans and findings of annual audit from external auditors. In addition, the audit committee also reviewed and approved the external auditors' remuneration and terms of engagement and recommended the Board for re-appointment of the external auditors. For corporate governance, the audit committee reviewed the Group's compliance with the CG Code, including respective policies and practices, and disclosures in this Corporate Governance Report.

Remuneration Committee

The primary duties of remuneration committee are to make recommendations to the Board on the Group's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing such remuneration policy; and to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives. The primary goal of the remuneration policy with regard to the remuneration packages to the Directors, senior management and other employees is to enable the Group to retain and motivate them to meet corporate goals and to support continuous development of the Group by linking their remuneration with performance as measured against corporate objectives achieved. The remuneration package is determined by reference to individual's duties and responsibilities, experiences, qualifications, prevailing market conditions and both corporate and individual performance. Subject to the Group's profitability, the Group may also grant discretionary bonus and share options of the Company to its employees as an incentive for their contribution to the Group.

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

Two meetings of the remuneration committee were held during the year under review and details of the Directors' attendance, on a named basis, are set out as follows:

Member of the remuneration committee	Attendance
Mr. Mak Wing Kit *(Chairman)*	2 out of 2
Mr. Chu To Ki	2 out of 2
Dr. Wong Yun Kuen	2 out of 2

During the year under review, the remuneration committee reviewed and evaluated the Group's remuneration policy and structure for executive Directors, their performance against corporate objectives and results achieved and terms of their service contracts. In addition, the remuneration committee has reviewed and recommended the remuneration packages of individual executive Directors and senior management of the Company for the Board's approval. During the year under review, no Director was involved in deciding his own remuneration.

Nomination Committee

The primary duties of nomination committee are to review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy and on the selection of individuals nominated for directorships as well as appointment or re-appointment of the Directors. The nomination committee is also responsible for making succession planning for the Directors, in particular the chairman and the chief executive of the Company.

One meeting of the nomination committee was held during the year under review and details of the Directors' attendance, on a named basis, are set out as follows:

Member of the nomination committee	Attendance
Dr. Wong Yun Kuen *(Chairman)*	1 out of 1
Mr. Chu To Ki	1 out of 1
Mr. Mak Wing Kit	1 out of 1

During the year under review, the nomination committee reviewed the present structure, size and composition of the Board and was of view that no change was necessary. In addition, according to the articles of association of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Mr. Wong Yui Lam and Mr. Chu To Ki will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. The nomination committee has reviewed the performance of Mr. Wong Yui Lam and Mr. Chu To Ki and approved to recommend them to the Board for the re-election.

EXTERNAL AUDITORS AND AUDITORS REMUNERATION

The Group appointed Ernst & Young as the Group's principal auditors. The acknowledgement of their responsibilities on the financial statements are set out in the section of "Independent Auditors' Report" on page 36 of this Annual Report.

The fees paid or payable to Ernst & Young, and its affiliated firms, for services rendered in respect of the year ended 31 March 2012 are as follows:

	Year ended 31 March 2012 HK$'000	Year ended 31 March 2011 HK$'000
Audit services	**1,652**	1,640
Non-audit services	**579**	646
Total	**2,231**	2,286

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flows of the Group for that year and in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 March 2012, the Directors have selected appropriate accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records which disclose the financial position of the Group with reasonable accuracy at any time.

INTERNAL CONTROL

The Group maintained a structure with defined lines of responsibility and appropriate delegation of duties and authority to management. The Board is responsible for overseeing the Group's system of internal controls and for reviewing its effectiveness through the audit committee. The Board requires management to establish and maintain sound and effective internal controls, which covered all material controls, including financial, operational and compliance and risk management functions. The Board conducted a review of effectiveness of the internal control system of the Group and also communicated regularly with the audit committee and the external auditors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the Directors of the Company. 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 under review.

COMMUNICATION WITH INVESTORS AND SHAREHOLDERS

To enhance transparency and effectively communicate with the investment community, the executive Directors and senior management of the Company maintain regular communications with various investors, research analysts, fund managers and media by convening press conference at results announcement, one-on-one meetings and teleconferences, etc.

The Board also welcomes the views of shareholders on matters affecting the Company and encourages them to attend shareholders' general meeting to communicate directly with the Board. External auditors and Board committee chairman shall attend annual general meetings and are available to answer shareholders enquiries. The important details and dates for shareholders during the year under review and in the coming financial year are set out in the section of "Information for Investors" on page 9 of this Annual Report.

In addition, annual/interim reports, announcements and press releases are posted on the website of the Stock Exchange at www.hkexnews.hk and the Company's website www.bauhaus.com.hk, which are constantly being updated in a timely manner and so contain additional information on the Group's business.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING (THE "EGM")

The following procedures are subject to the memorandum and articles of association of the Company (as amended from time to time), and the applicable legislation and regulation, in particular the Listing Rules (as amended from time to time).

- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

- Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Room 501, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong, for the attention of the Company Secretary.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned.

- The Requisition will be verified with the Company's branch share registrar and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the articles of association of the Company to all the registered shareholders of the Company. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM.

- If within 21 days of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, pursuant to the articles of association of the Company, shareholders who wish to move a resolution may requisition the Company to convene an EGM following the procedures set out above.

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Shareholders may send their enquiries and concerns to the Board of the Company by addressing them to the principal place of business of the Company in Hong Kong at Room 501, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong by post or by email to kingol@bauhaus.com.hk for the attention of the Company Secretary.

Upon receipt of the enquiries, the Company Secretary will forward:

1. communications relating to matters within the Board's purview to the executive Directors of the Company;

2. communications relating to matters within a Board committee's area of responsibility to the chairman of the appropriate committee; and

3. communications relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the appropriate management of the Company.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and management of the Group's operations. Details of the principal activities of the principal subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2012 and the state of affairs of the Company and the Group at that date are set out on pages 37 to 87 of this Annual Report.

An interim dividend of HK2.0 cents per ordinary share was paid on 9 February 2012. The directors recommend the payment of a final dividend of HK6.5 cents per ordinary share in respect of the year to shareholders on the register of members on 24 August 2012. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "AGM") is scheduled on Thursday, 16 August 2012. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 14 August 2012 to Thursday, 16 August 2012, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 13 August 2012.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the AGM. The record date for entitlement to the proposed final dividend is Friday, 24 August 2012. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 22 August 2012 to Friday, 24 August 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Tuesday, 21 August 2012.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, is set out on page 88 of this Annual Report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year.

On 13 January 2012, the Board resolved to grant a total of 11,000,000 share options to certain directors and employees of the Group to subscribe for shares of HK$0.10 each in the Company, subject to acceptance by the grantees, under the share option scheme adopted by the Company on 22 April 2005 as rewards for the grantees' contribution to the continual operation and development of the Group.

SHARE CAPITAL AND SHARE OPTIONS *(Continued)*

Each share option shall entitle the holder thereof to subscribe for one share upon exercise of such share option at an exercise price of HK$1.83 per share.

Details of movements in the Company's share options during the year are set out in note 27 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2012, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to HK$261,292,000, of which an aggregate of HK$23,364,000 has been proposed as final dividend for the year. In addition, the Company's share premium account, in the amount of HK$87,875,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$825,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2012, sales to the Group's five largest customers accounted for less than 30% of the total sales of the Group for the year. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 11% and 30%, respectively, of the Group's total purchases for the year.

None of the Directors or any of their associates or any shareholder of the Company (which to the knowledge of Directors own more than 5% of the Company's share capital) had beneficial interests in the Group's top five supplies referred to above.

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Mr. Wong Yui Lam *(Chairman and Chief Executive Officer)*
Madam Lee Yuk Ming
Mr. Yeung Yat Hang

Independent non-executive directors:
Mr. Chu To Ki
Mr. Mak Wing Kit
Dr. Wong Yun Kuen

In accordance with article 87 of the Company's articles of association, Mr. Wong Yui Lam and Mr. Chu To Ki will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") from each of the independent non-executive directors and still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 20 to 21 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing from 1 May 2005. The service contracts will continue thereafter until terminated by not less than six months' notice in writing served by either party on the other without payment of compensation. Under the service contracts, after each completed year of service, the remuneration payable to each of them may, subject to the discretion of the board of directors, be adjusted and they will each be entitled to a discretionary bonus provided that the total amount of bonuses payable to all the directors for such year shall not exceed HK$5 million. Each of the executive directors will be entitled to all the reasonable out-of-pocket expenses and medical expenses, housing benefits and reimbursements, the use of a car and the fuel and maintenance (including insurance) expenses in respect of the car used by him/her.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' remuneration is recommended by the remuneration committee and is subject to approval by the board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2012, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and Main Board ("MB") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) Long positions in ordinary shares of the Company

	Number of shares held, capacity and nature of interest				
Name of director	**Directly beneficially owned**	**Through controlled corporation**	**Through a discretionary trust/as beneficiary or trustee of trust**	**Total**	**Percentage of the Company's issued share capital**
Mr. Wong Yui Lam	–	29,900,000 (note 1)	180,000,000 (note 1)	209,900,000	58.39%
Mr. Yeung Yat Hang	3,748,000	–	–	3,748,000	1.04%

Note:

1. 29,900,000 shares are held by Wonder View Limited ("Wonder View"), the entire issued share capital of which is beneficially owned by Mr. Wong Yui Lam, an executive director of the Company. 180,000,000 shares are held by Huge Treasure Investments Limited ("Huge Treasure") as trustee of The Wong & Tong Unit Trust, all units of which are owned by The Wong & Tong Family Trust, a discretionary trust established by Mr. Wong Yui Lam, the executive director of the Company and Madam Tong She Man, Winnie, a beneficial shareholder of the Company.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

(b) Long positions in share options of the Company

Name of director	Number of options directly beneficially owned
Madam Lee Yuk Ming	1,600,000
Mr. Yeung Yat Hang	1,200,000
	2,800,000

(c) Long positions in shares of associated corporations

Name of associated corporation	Name of director	Capacity	Number of shares held	Percentage of the associated corporation's issued share capital
Huge Treasure (as trustee of The Wong & Tong Unit Trust)	Mr. Wong Yui Lam	Beneficial owner	1 share of US$1	50%
Tough Jeans Limited	Mr. Wong Yui Lam	Beneficial owner (note)	3 non-voting deferred shares of HK$1 each	60% of the issued non-voting deferred shares
Bauhaus Holdings Limited	Mr. Wong Yui Lam	Beneficial owner (note)	1 non-voting deferred share of HK$1 each	50% of the issued non-voting deferred shares

Note:
Mr. Wong Yui Lam is a non-voting shareholder of these companies. The holders of these non-voting deferred shares are not entitled to any dividends and have no voting rights.

Save as disclosed above, as at 31 March 2012, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 27 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the year:

	Number of share options								
Name or category of participant	At 1 April 2011	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	At 31 March 2012	Date of grant of share options[i]	Exercise period of share options	Exercise price of share options[ii] HK$ per share
Directors, chief executive and a substantial shareholder and their associates									
Madam Lee Yuk Ming	250,000	–	–	–	–	250,000	2 Dec 10[iv]	2 Dec 11 to 2 Dec 15	3.354
	250,000	–	–	–	–	250,000	2 Dec 10[iv]	3 Dec 12 to 2 Dec 15	3.354
	300,000	–	–	–	–	300,000	2 Dec 10[iv]	3 Dec 13 to 2 Dec 15	3.354
	–	250,000	–	–	–	250,000	13 Jan 12	12 Jan 13 to 12 Jan 17	1.830
	–	250,000	–	–	–	250,000	13 Jan 12	12 Jan 14 to 12 Jan 17	1.830
	–	300,000	–	–	–	300,000	13 Jan 12	12 Jan 15 to 12 Jan 17	1.830
	800,000	800,000	–	–	–	1,600,000			
Mr. Yeung Yat Hang	200,000	–	–	–	–	200,000	2 Dec 10[iv]	2 Dec 11 to 2 Dec 15	3.354
	200,000	–	–	–	–	200,000	2 Dec 10[iv]	3 Dec 12 to 2 Dec 15	3.354
	200,000	–	–	–	–	200,000	2 Dec 10[iv]	3 Dec 13 to 2 Dec 15	3.354
	–	200,000	–	–	–	200,000	13 Jan 12	12 Jan 13 to 12 Jan 17	1.830
	–	200,000	–	–	–	200,000	13 Jan 12	12 Jan 14 to 12 Jan 17	1.830
	–	200,000	–	–	–	200,000	13 Jan 12	12 Jan 15 to 12 Jan 17	1.830
	600,000	600,000	–	–	–	1,200,000			
Other employees									
In aggregate	2,310,000	–	–	–	–	2,310,000	2 Dec 10[iv]	2 Dec 11 to 2 Dec 15	3.354
	2,310,000	–	–	–	–	2,310,000	2 Dec 10[iv]	3 Dec 12 to 2 Dec 15	3.354
	3,820,000	–	–	–	–	3,820,000	2 Dec 10[iv]	3 Dec 13 to 2 Dec 15	3.354
	–	3,210,000	–	–	–	3,210,000	13 Jan 12	12 Jan 13 to 12 Jan 17	1.830
	–	3,210,000	–	–	–	3,210,000	13 Jan 12	12 Jan 14 to 12 Jan 17	1.830
	–	3,180,000	–	–	–	3,180,000	13 Jan 12	12 Jan 15 to 12 Jan 17	1.830
	8,440,000	9,600,000	–	–	–	18,040,000			
	9,840,000	11,000,000	–	–	–	20,840,000			

Notes to the table of share options outstanding during the year:

(i) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(ii) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

(iii) The closing price of the Company's shares immediately before the date on which the options were granted during the year was HK$1.83 (2011: HK$3.35) per share.

(iv) An ordinary resolution would be proposed at the forthcoming AGM to seek shareholders' approval for the cancellation of a total of 9,840,000 share options (the "2010 Options") previously granted to certain employees and directors on 2 December 2010 but remained outstanding as at 31 March 2012. The holders of the 2010 Options shall not be entitled to any compensation for any consequential loss as a result of the approval of such cancellation. Upon the cancellation, the unvested share option expenses of approximately HK$2,810,000 would be charged to profit or loss.

The Directors considered that it would be in the interest of the Company to cancel all the outstanding 2010 Options granted but not exercised.

SHARE OPTION SCHEME *(Continued)*

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2012, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

		Number of shares held, capacity and nature of interest				
Name	**Position**	**Directly beneficially owned**	**Through controlled corporation**	**Through discretionary trust/as beneficiary or trustee of trust**	**Total number of ordinary shares held**	**Percentage of the Company's issued share capital**
Huge Treasure (note 1)	Long position	180,000,000	–	–	180,000,000	50.08%
East Asia International Trustees Limited ("EAIT") (note 2)	Long position	–	–	180,000,000	180,000,000	50.08%
Wonder View (note 3)	Long position	29,900,000	–	–	29,900,000	8.32%
Great Elite Corporation ("Great Elite") (note 4)	Long position	34,068,000	–	–	34,068,000	9.48%
Webb David Michael (note 5)	Long position	4,646,000	18,037,000	–	22,683,000	6.31%

Notes:

1. The 180,000,000 shares are held by Huge Treasure as trustee of The Wong & Tong Unit Trust, all units of which are owned by The Wong & Tong Family Trust, a discretionary trust established by Mr. Wong Yui Lam, an executive director of the Company and Madam Tong She Man, Winnie, a beneficial shareholder of the Company.

2. EAIT is a licensed trustee in the British Virgin Islands and acts as trustee of The Wong & Tong Family Trust. By virtue of its capacity as trustee of The Wong & Tong Family Trust, EAIT is deemed to be interested in the shares held by Huge Treasure (as trustee of The Wong & Tong Unit Trust) under the SFO.

3. Wonder View is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. Wong Yui Lam.

4. Great Elite is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Madam Tong She Man, Winnie.

5. 18,037,000 shares are held by Preferable Situation Assets Limited, which is incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. Webb David Michael.

Save as disclosed above, as at 31 March 2012, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, has an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

The following continuing connected transactions are exempt from the independent shareholders' approval requirement under Rule 14A.34 of the Listing Rules, and the respective amounts have not exceeded the relevant annual cap approved by the Stock Exchange as disclosed in the announcement dated 24 September 2008 and 6 October 2011.

Licence of software and provision of services

The Group entered into an agreement with Netideas Limited ("Netideas") and its associate company, 發順計算機服務（上海）有限公司 ("發順"), for the licence of software and the provision of services. Both Netideas and 發順 are 100% beneficially owned by Mr. Wong Yui Hong, a brother of Mr. Wong Yui Lam, an executive director of the Company, and accordingly, Mr. Wong Yui Hong is a connected person of the Company under the Listing Rules. Under the agreement, Netideas and 發順 grant to the Group the licence and right to use certain software and the documentation relating thereto for the management of the retail business of the Group. The agreement with Netideas is for a term of three years commencing from 1 October 2011 and ending on 30 September 2014.

For the year ended 31 March 2012, the amounts paid by the Group to Netideas and 發順 for the licence and the provision of services were HK$1,430,000 and HK$460,000, respectively, which amounted to an aggregate of HK$1,890,000.

Sourcing of equipment

Under the same agreement with Netideas, Netideas and its associate company, 發順, shall source and sell to the Group the computer equipment with the relevant hardware at prices no less favourable than the market prices of the equipment for the purpose of replacement, for upgrading the system, or for the expansion and development of the Group. This computer equipment and hardware will be used in the Group's retail stores, warehouses and offices.

For the year ended 31 March 2012, the aggregate amount paid by the Group for the sourcing of equipment was HK$2,068,000. For the year ended 31 March 2012, the Group also paid an amount of HK$556,000 to 發順 for the sourcing of equipment. Aggregate amounts paid by these two connected parties for sourcing of equipment amounted to HK$2,624,000.

The independent non-executive directors have reviewed the above continuing connected transactions and confirmed that these continuing connected transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

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 issued share capital was held by the public as at the date of this report.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 36 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Wong Yui Lam
Chairman

Hong Kong
21 June 2012

ERNST & YOUNG
安 永

Ernst & Young
22/F, CITIC Tower,
1 Tim Mei Avenue,
Central
Hong Kong
Tel: +852 2846 9888
Fax: +852 2868 4432
www.ey.com

安永會計師事務所
香港中環添美道1號
中信大廈22樓
電話: +852 2846 9888
傳真: +852 2868 4432

To the shareholders of
Bauhaus International (Holdings) Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Bauhaus International (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 37 to 87 of this Annual Report, which comprise the consolidated and company statements of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Certified Public Accountants
Hong Kong
21 June 2012

Year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
REVENUE	5	**1,159,872**	1,011,704
Cost of sales		**(355,355)**	(303,514)
Gross profit		**804,517**	708,190
Other income and gains	5	**4,329**	4,518
Selling and distribution costs		**(574,936)**	(458,484)
Administrative expenses		**(120,063)**	(99,431)
Other expenses		**(8,777)**	(5,994)
Finance costs	7	**(1,277)**	–
PROFIT BEFORE TAX	6	**103,793**	148,799
Income tax expense	10	**(27,906)**	(33,272)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	11	**75,887**	115,527
OTHER COMPREHENSIVE INCOME			
Currency translation differences		**5,197**	7,679
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**81,084**	123,206
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	13		
Basic		**21.1 cents**	32.1 cents
Diluted		**21.0 cents**	32.1 cents

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**187,669**	115,435
Intangible assets	15	**1,565**	1,714
Held-to-maturity debt securities	17	**–**	888
Rental, utility and other non-current deposits		**78,072**	66,563
Deferred tax assets	18	**20,477**	19,069
Total non-current assets		**287,783**	203,669
CURRENT ASSETS			
Inventories	19	**269,449**	201,682
Trade receivables	20	**28,653**	34,022
Prepayments, deposits and other receivables	21	**30,056**	28,638
Tax recoverable		**2,441**	171
Held-to-maturity debt securities	17	**920**	780
Cash and cash equivalents	22	**86,167**	153,934
Total current assets		**417,686**	419,227
CURRENT LIABILITIES			
Trade payables	23	**24,609**	21,984
Other payables and accruals	24	**102,302**	74,704
Interest-bearing bank borrowings	25	**46,758**	–
Tax payable		**12,954**	29,773
Total current liabilities		**186,623**	126,461
NET CURRENT ASSETS		**231,063**	292,766
TOTAL ASSETS LESS CURRENT LIABILITIES		**518,846**	496,435
NON-CURRENT LIABILITIES			
Deferred tax liabilities	18	**1,865**	1,497
NET ASSETS		**516,981**	494,938
EQUITY			
Equity attributable to owners of the parent			
Issued capital	26	**35,945**	35,945
Reserves	28(a)	**457,672**	402,559
Proposed dividends	12	**23,364**	56,434
TOTAL EQUITY		**516,981**	494,938

Wong Yui Lam
Chairman

Lee Yuk Ming
Director

Year ended 31 March 2012

	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 28(a))	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000 (note 28(a))	Proposed dividends HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 April 2010		35,945	87,875	744	–	10,690	6,483	48,526	235,675	425,938
Total comprehensive income for the year		–	–	–	–	7,679	–	–	115,527	123,206
Transfer to reserve funds		–	–	–	–	–	2,642	–	(2,642)	–
Equity-settled share option arrangements	27	–	–	–	1,509	–	–	–	–	1,509
Final 2010 dividend declared		–	–	–	–	–	–	(30,553)	–	(30,553)
Special 2010 dividend declared		–	–	–	–	–	–	(17,973)	–	(17,973)
Interim 2011 dividend	12	–	–	–	–	–	–	–	(7,189)	(7,189)
Proposed final 2011 dividend	12	–	–	–	–	–	–	38,461	(38,461)	–
Proposed special 2011 dividend	12	–	–	–	–	–	–	17,973	(17,973)	–
At 31 March 2011 and 1 April 2011		35,945	87,875*	744*	1,509*	18,369*	9,125*	56,434	284,937*	494,938
Total comprehensive income for the year		–	–	–	–	5,197	–	–	75,887	81,084
Transfer to reserve funds		–	–	–	–	–	710	–	(710)	–
Equity-settled share option arrangements	27	–	–	–	4,582	–	–	–	–	4,582
Final 2011 dividend declared		–	–	–	–	–	–	(38,461)	–	(38,461)
Special 2011 dividend declared		–	–	–	–	–	–	(17,973)	–	(17,973)
Interim 2012 dividend	12	–	–	–	–	–	–	–	(7,189)	(7,189)
Proposed final 2012 dividend	12	–	–	–	–	–	–	23,364	(23,364)	–
At 31 March 2012		35,945	87,875*	744*	6,091*	23,566*	9,835*	23,364	329,561*	516,981

* These reserve accounts comprise the consolidated reserves of HK$457,672,000 (2011: HK$402,559,000) in the consolidated statement of financial position.

Year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**103,793**	148,799
Adjustments for:			
Finance costs	7	**1,277**	–
Bank interest income	5	**(359)**	(607)
Depreciation	6	**38,415**	27,614
Loss on disposal of items of property, plant and equipment	6	**3,765**	979
Write-off of intangible assets	6	**–**	14
Write-off of rental deposits	6	**1,363**	111
Amortisation of intangible assets	6	**344**	340
Provision for slow-moving inventories, net	6	**29,535**	1,786
Equity-settled share option expense	27	**4,582**	1,509
Impairment of trade receivables	6	**–**	1
Impairment of items of property, plant and equipment	6	**2,328**	4,518
		185,043	185,064
Increase in rental, utility and other non-current deposits		**(12,872)**	(16,464)
Increase in inventories		**(97,302)**	(78,864)
Decrease/(increase) in trade receivables		**5,369**	(10,765)
Increase in prepayments, deposits and other receivables		**(1,418)**	(11,954)
Increase in trade payables		**2,625**	8,231
Increase in other payables and accruals		**27,598**	16,474
Cash generated from operations		**109,043**	91,722
Interest received		**359**	607
Interest paid		**(1,277)**	–
Hong Kong profits tax paid		**(26,222)**	(11,142)
Overseas taxes paid		**(21,691)**	(13,061)
Net cash flows from operating activities		**60,212**	68,126
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	**(122,566)**	(87,652)
Proceeds from disposal of items of property, plant and equipment		**6,340**	4
Additions to intangible assets	15	**(195)**	(343)
Redemption of held-to-maturity debt securities		**748**	1,884
Net cash flows used in investing activities		**(115,673)**	(86,107)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**95,532**	–
Repayment of bank loans		**(48,774)**	–
Dividends paid		**(63,623)**	(55,715)
Net cash flows used in financing activities		**(16,865)**	(55,715)

Year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(72,326)**	(73,696)
Cash and cash equivalents at beginning of year		**153,934**	220,615
Effect of foreign exchange rate changes, net		**4,559**	7,015
CASH AND CASH EQUIVALENTS AT END OF YEAR		**86,167**	153,934
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**86,167**	150,284
Non-pledged time deposits with original maturity of less than three months when acquired	22	**–**	3,650
		86,167	153,934

31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	**149,722**	145,140
CURRENT ASSETS			
Due from subsidiaries	16	**241,225**	229,864
Prepayments, deposits and other receivables	21	**142**	142
Cash and cash equivalents	22	**134**	328
Total current assets		**241,501**	230,334
CURRENT LIABILITIES			
Other payables and accruals	24	**20**	12
NET CURRENT ASSETS		**241,481**	230,322
NET ASSETS		**391,203**	375,462
EQUITY			
Issued capital	26	**35,945**	35,945
Reserves	28(b)	**331,894**	283,083
Proposed dividends	12	**23,364**	56,434
TOTAL EQUITY		**391,203**	375,462

Wong Yui Lam
Chairman

Lee Yuk Ming
Director

1. CORPORATE INFORMATION

Bauhaus International (Holdings) Limited is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at Room 501, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong.

During the year, the Group was engaged in the manufacture and trading of garments and accessories.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Huge Treasure Investments Limited, which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

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 2012. 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 of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

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.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 33 to the consolidated financial statements.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: *Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
Annual Improvements Project	*Annual Improvements to HKFRSs 2009-2011 Cycle*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a); and

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance leases	Over the lease terms
Buildings	2%
Leasehold improvements	Over the lease terms
Plant and machinery	9% to 25%
Computer equipment	20% to 30%
Furniture, fixtures and equipment	18% to 25%
Motor vehicles	20% to 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademarks with definite useful lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their useful lives of 5 to 20 years.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include held-to-maturity debt securities, deposits and other receivables, trade receivables and cash and cash equivalents.

Subsequent measurement

The subsequent measurement of financial assets depends on their reclassification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes-Merton pricing model, further details of which are given in note 27 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Employee benefits

Pension schemes and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group's subsidiaries established in Mainland China participate in defined contribution retirement plans managed by the local municipal government of the region where they operate. The relevant authorities of the local municipal government in the People's Republic of China (the "PRC") undertake the retirement obligations of the Group's employees. The Group has no obligation for the payment of retirement benefits beyond the monthly contributions. The contribution payable is charged as an expense to profit or loss as and when incurred.

According to the existing relevant regulations in Taiwan, a subsidiary of the Group incorporated in Taiwan is required to participate in the retirement plan or scheme operated by the government of Taiwan (the "Taiwan Scheme") for the provision of pension benefits to its employees. This Taiwan subsidiary is required to contribute a certain percentage of its payroll costs to the Taiwan Scheme to fund the benefits. Contributions under the Taiwan Scheme are charged to profit or loss as they become payable in accordance with the rules of the Taiwan Scheme, and the outstanding payment of the contribution is reflected on the statement of financial position.

The subsidiaries of the Group incorporated in Macau make monthly contributions to the social security fund managed by the relevant authority of the local government, which undertake the retirement obligations of the Group's employees. The Group has no obligation for payment of retirement benefits beyond the monthly contributions. The contribution payable is charged as an expense to profit or loss as and when incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final and special dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the memorandum and articles of association of the Company grant the directors the authority to declare such dividends. Consequently, interim and special interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has not made any significant judgement, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of useful lives of items of property, plant and equipment

Management estimates the useful lives of items of property, plant and equipment when acquired based on the period over which the items of property, plant and equipment are expected to be available for use to the Group. The useful lives of items of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of the reporting period. The carrying value of property, plant and equipment at 31 March 2012 was HK$187,669,000 (2011: HK$115,435,000). Further details are included in note 14 to the financial statements.

Impairment test of items of property, plant and equipment

Management estimates the recoverable amount of items of property, plant and equipment when an indication of impairment exists. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test. The carrying value of property, plant and equipment at 31 March 2012 was HK$187,669,000 (2011: HK$115,435,000). Further details are included in note 14 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 March 2012 was HK$39,000 (2011: HK$73,000). The amount of unrecognised tax losses at 31 March 2012 was HK$80,077,000 (2011: HK$27,685,000). Further details are included in note 18 to the financial statements.

Provision for inventories

Management reviews an aging analysis at the end of each reporting period, and makes provision for obsolete items when events or change in circumstances show that the balance of inventories may not be realisable or are no longer suitable for production use. The Group carries out an inventory review at the end of each reporting period and makes provision for obsolete items. The carrying value of inventories at 31 March 2012 was HK$269,449,000 (2011: HK$201,682,000). Further details of which are included in note 19 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of trade receivables

The Group maintains an allowance for estimated losses arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers is to deteriorate so that the actual impairment losses might be higher than expected, the Group will be required to revise the basis of making the allowance, and its future results would be affected. The carrying value of trade receivables at 31 March 2012 was HK$28,653,000 (2011: HK$34,022,000). Further details are included in note 20 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units that offer products to customers located in different geographical areas and has four reportable operating segments as follows:

(a) Hong Kong and Macau

(b) Mainland China

(c) Taiwan

(d) Elsewhere

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, 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 that interest income, finance costs and unallocated expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, time deposits, held-to-maturity debt securities, and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax payable and interest-bearing bank borrowings as these liabilities are managed on a group basis.

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Hong Kong and Macau HK$'000	Mainland China HK$'000	Taiwan HK$'000	Elsewhere HK$'000	Total HK$'000
Year ended 31 March 2012					
Segment revenue:					
Sales to external customers	756,184	176,357	205,508	21,823	1,159,872
Intersegment sales	1,190	7,792	98,554	2,662	110,198
	757,374	184,149	304,062	24,485	1,270,070
Reconciliation:					
Elimination of intersegment sales					(110,198)
Revenue					1,159,872
Segment results	149,418	(18,729)	14,372	3,526	148,587
Reconciliation:					
Interest income					359
Finance costs					(1,277)
Unallocated expenses					(43,876)
Profit before tax					103,793
Segment assets	260,119	130,946	85,712	13,468	490,245
Reconciliation:					
Deferred tax assets					20,477
Tax recoverable					2,441
Held-to-maturity debt securities					920
Unallocated assets					191,386
Total assets					705,469
Segment liabilities	47,068	46,419	9,986	6,046	109,519
Reconciliation:					
Deferred tax liabilities					1,865
Interest-bearing bank borrowings					46,758
Tax payable					12,954
Unallocated liabilities					17,392
Total liabilities					188,488
Other segment information:					
Capital expenditure*	20,444	20,258	15,032	34	55,768
Unallocated capital expenditure*					66,993
					122,761
Depreciation	11,739	11,643	9,244	–	32,626
Amortisation of intangible assets	63	38	39	204	344
Unallocated depreciation					5,789
					38,759
Loss on disposal of items of property, plant and equipment	1,299	3,590	52	–	4,941
Unallocated gain on disposal of items of property, plant and equipment					(1,176)
					3,765
Write-off of rental deposits	–	1,363	–	–	1,363
Impairment of items of property, plant and equipment	285	2,043	–	–	2,328

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Hong Kong and Macau HK$'000	Mainland China HK$'000	Taiwan HK$'000	Elsewhere HK$'000	Total HK$'000
Year ended 31 March 2011					
Segment revenue:					
Sales to external customers	648,641	171,088	161,587	30,388	1,011,704
Intersegment sales	–	2,633	83,259	946	86,838
	648,641	173,721	244,846	31,334	1,098,542
Reconciliation:					
Elimination of intersegment sales					(86,838)
Revenue					1,011,704
Segment results	114,452	19,696	38,987	8,606	181,741
Reconciliation:					
Interest income					607
Unallocated expenses					(33,549)
Profit before tax					148,799
Segment assets	215,226	131,438	95,558	6,895	449,117
Reconciliation:					
Deferred tax assets					19,069
Tax recoverable					171
Time deposits					3,650
Held-to-maturity debt securities					1,668
Unallocated assets					149,221
Total assets					622,896
Segment liabilities	57,454	32,281	6,494	459	96,688
Reconciliation:					
Deferred tax liabilities					1,497
Tax payable					29,773
Total liabilities					127,958
Other segment information:					
Capital expenditure *	15,771	15,454	8,183	136	39,544
Unallocated capital expenditure *					48,451
					87,995
Depreciation	12,403	7,249	4,446	–	24,098
Amortisation of intangible assets	59	31	42	208	340
Unallocated depreciation					3,516
					27,954
Loss on disposal of items of property, plant and equipment	194	785	–	–	979
Write-off of intangible assets	–	–	–	14	14
Write-off of rental deposits	–	111	–	–	111
Impairment of trade receivables	–	1	–	–	1
Impairment of items of property, plant and equipment	3,218	1,300	–	–	4,518

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

Non-current assets

	2012 **HK$'000**	2011 HK$'000
Hong Kong and Macau	**78,214**	66,213
Mainland China	**35,841**	27,612
Taiwan	**15,370**	8,538
Elsewhere	**963**	1,070
	130,388	103,433

The non-current asset information above is based on the location of the assets and excludes financial instruments, deferred tax assets and certain unallocated non-current assets managed on a group basis.

Information about major customers

Since none of the Group's sales to a single customer amounts to 10% or more of the Group's revenue during the year, no major customer information is presented.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and sales tax during the year.

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

	Group	
	2012 **HK$'000**	2011 HK$'000
Revenue		
Sale of garment products and accessories	**1,159,872**	1,011,704
Other income		
Bank interest income	**359**	607
Others	**2,251**	2,484
	2,610	3,091
Gains		
Foreign exchange differences, net	**1,719**	1,427
	4,329	4,518

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	Group 2012 HK$'000	2011 HK$'000
Cost of inventories sold		**325,820**	301,728
Depreciation	14	**38,415**	27,614
Provision for slow-moving inventories, net, included in cost of sales		**29,535**	1,786
Rental expenses under operating leases in respect of equipment:			
Minimum lease payments		**609**	598
Contingent rents		**139**	141
		748	739
Rental expenses under operating leases in respect of land and buildings:			
Minimum lease payments		**236,707**	200,600
Contingent rents		**62,155**	48,123
		298,862	248,723
Auditors' remuneration		**1,987**	2,014
Employee benefit expenses (excluding directors' remuneration (note 8)):			
Wages, salaries and other benefits		**191,887**	158,463
Equity-settled share option expense		**3,919**	1,282
Pension scheme contributions*		**11,294**	8,417
		207,100	168,162
Loss on disposal of items of property, plant and equipment		**3,765**	979
Amortisation of intangible assets	15	**344**	340
Write-off of intangible assets	15	**–**	14
Write-off of rental deposits		**1,363**	111
Impairment of trade receivables	20	**–**	1
Impairment of items of property, plant and equipment	14	**2,328**	4,518

* 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 (2011: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2012 HK$'000	2011 HK$'000
Interest on bank loans wholly repayable within five years	**1,277**	–

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Fees	**396**	396
Other emoluments:		
Salaries, allowances and benefits in kind	**3,984**	3,682
Performance related bonuses*	**820**	848
Equity-settled share option expense	**663**	227
Pension scheme contributions	**36**	36
	5,503	4,793
	5,899	5,189

* Certain executive directors of the Company are entitled to bonus payments which are determined based on the operating results of the Group.

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 27 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2012	2011
	HK$'000	HK$'000
Mr. Chu To Ki	**132**	132
Mr. Mak Wing Kit	**132**	132
Dr. Wong Yun Kuen	**132**	132
	396	396

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2012						
Mr. Wong Yui Lam	**–**	**1,300**	**100**	**–**	**12**	**1,412**
Madam Lee Yuk Ming	**–**	**1,318**	**630**	**375**	**12**	**2,335**
Mr. Yeung Yat Hang	**–**	**1,366**	**90**	**288**	**12**	**1,756**
	–	**3,984**	**820**	**663**	**36**	**5,503**
2011						
Mr. Wong Yui Lam	–	1,300	300	–	12	1,612
Madam Lee Yuk Ming	–	1,251	274	128	12	1,665
Mr. Yeung Yat Hang	–	1,131	274	99	12	1,516
	–	3,682	848	227	36	4,793

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2011: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2011: three) executive directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2011: two) non-director, highest paid employees for the year are as follows:

	Group **2012** HK$'000	2011 HK$'000
Salaries, allowances and benefits in kind	**2,155**	2,100
Performance related bonuses	**900**	900
Equity-settled share option expense	**483**	166
Pension scheme contributions	**24**	24
	3,562	3,190

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2012	2011
	HK$'000	HK$'000
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
	2	2

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

The PRC corporate income tax ("CIT") is applicable to the five (2011: five) subsidiaries located in Mainland China, where two (2011: two) of them are subject to the concessionary CIT tax rates. Accordingly, these subsidiaries were subject to the applicable CIT rates ranging from 24% to 25% during the year ended 31 March 2012.

For the subsidiaries in Macau, one of them (2011: one) was incorporated under the Macau Offshore Business Law and exempted from the Macau complementary tax pursuant to the Macau Special Administrative Region's offshore law.

	Group	
	2012	2011
	HK$'000	HK$'000
Current tax – Hong Kong		
Provision for the year	**18,034**	19,361
Overprovision in prior years	**(390)**	(430)
Current tax – PRC		
Provision for the year	**8,200**	16,747
Under/(over)provision in prior years	**(92)**	89
Current tax – Elsewhere		
Provision for the year	**3,349**	5,136
Under/(over)provision in prior years	**(277)**	521
Deferred tax credit (note 18)	**(918)**	(8,152)
Total tax charge for the year	**27,906**	33,272

10. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax using the applicable rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group

2012

	Hong Kong		**PRC**		**Elsewhere**		**Total**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Profit before tax	**92,249**		**(7,368)**		**18,912**		**103,793**	
Tax at the statutory tax rate	**15,221**	**16.5**	**(1,842)**	**25.0**	**1,702**	**9.0**	**15,081**	**14.5**
Lower tax rate for specific provinces or enacted by local authority	**–**	**–**	**(133)**	**1.8**	**(155)**	**(0.8)**	**(288)**	**(0.3)**
Adjustments in respect of current tax of previous periods	**(390)**	**(0.4)**	**(92)**	**1.3**	**(277)**	**(1.5)**	**(759)**	**(0.7)**
Income not subject to tax	**(73)**	**(0.1)**	**(1)**	**–**	**(480)**	**(2.5)**	**(554)**	**(0.5)**
Expenses not deductible for tax	**821**	**0.9**	**329**	**(4.5)**	**5**	**–**	**1,155**	**1.1**
Temporary differences not recognised	**19**	**–**	**1,008**	**(13.7)**	**37**	**0.2**	**1,064**	**1.0**
Tax losses not recognised	**1,540**	**1.7**	**10,667**	**(144.8)**	**–**	**–**	**12,207**	**11.8**
	17,138	**18.6**	**9,936**	**(134.9)**	**832**	**4.4**	**27,906**	**26.9**

2011

	Hong Kong		PRC		Elsewhere		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	77,321		30,696		40,782		148,799	
Tax at the statutory tax rate	12,758	16.5	7,674	25.0	5,950	14.6	26,382	17.7
Lower tax rate for specific provinces or enacted by local authority	–	–	(772)	(2.5)	(81)	(0.2)	(853)	(0.5)
Adjustments in respect of current tax of previous periods	(430)	(0.5)	89	0.3	521	1.3	180	0.1
Income not subject to tax	(141)	(0.2)	–	–	(1,387)	(3.4)	(1,528)	(1.0)
Expenses not deductible for tax	397	0.5	397	1.3	5	–	799	0.5
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	–	–	2,710	8.8	–	–	2,710	1.8
Temporary differences not recognised	882	1.1	(1,263)	(4.1)	322	0.8	(59)	–
Tax losses not recognised	1,286	1.7	4,355	14.2	–	–	5,641	3.8
	14,752	19.1	13,190	43.0	5,330	13.1	33,272	22.4

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 March 2012 includes a profit of HK$74,782,000 (2011: HK$44,784,000) which has been dealt with in the financial statements of the Company (note 28(b)).

12. DIVIDENDS

	2012 **HK$'000**	2011 HK$'000
Interim – HK2.0 cents (2011: HK2.0 cents) per ordinary share	**7,189**	7,189
Proposed final – HK6.5 cents (2011: HK10.7 cents) per ordinary share	**23,364**	38,461
Proposed special – Nil (2011: HK5.0 cents) per ordinary share	**–**	17,973
	30,553	63,623

The proposed final dividend for the current year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. 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$75,887,000 (2011: HK$115,527,000) and the weighted average number of ordinary shares of 359,450,000 (2011: 359,450,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	2012 **HK$'000**	2011 HK$'000
Earnings Profit attributable to equity holders of the parent, used in the basic earnings per share calculation	**75,887**	115,527

	Number of shares	
Shares Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**359,450,000**	359,450,000
Effect of dilution – weighted average number of ordinary shares: Share options	**1,739,207**	–
	361,189,207	359,450,000

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Computer equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2012							
At 31 March 2011 and 1 April 2011:							
Cost	75,813	99,631	5,895	13,301	30,167	2,754	227,561
Accumulated depreciation and impairment	(3,337)	(73,937)	(2,967)	(9,594)	(19,930)	(2,361)	(112,126)
Net carrying amount	72,476	25,694	2,928	3,707	10,237	393	115,435
At 1 April 2011, net of accumulated depreciation and impairment	72,476	25,694	2,928	3,707	10,237	393	115,435
Additions	59,227	46,023	284	5,352	11,594	86	122,566
Depreciation provided during the year	(2,315)	(27,558)	(786)	(2,486)	(5,085)	(185)	(38,415)
Disposals	(5,025)	(4,395)	–	(44)	(641)	–	(10,105)
Impairment	–	(2,328)	–	–	–	–	(2,328)
Exchange realignment	–	310	118	48	37	3	516
At 31 March 2012, net of accumulated depreciation and impairment	124,363	37,746	2,544	6,577	16,142	297	187,669
At 31 March 2012:							
Cost	129,907	125,021	6,397	18,422	39,454	2,849	322,050
Accumulated depreciation and impairment	(5,544)	(87,275)	(3,853)	(11,845)	(23,312)	(2,552)	(134,381)
Net carrying amount	124,363	37,746	2,544	6,577	16,142	297	187,669

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Computer equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2011							
At 1 April 2010:							
Cost	29,226	70,806	5,239	10,957	23,258	2,744	142,230
Accumulated depreciation and impairment	(2,727)	(51,112)	(2,224)	(7,918)	(15,629)	(2,185)	(81,795)
Net carrying amount	26,499	19,694	3,015	3,039	7,629	559	60,435
At 1 April 2010, net of accumulated depreciation and impairment	26,499	19,694	3,015	3,039	7,629	559	60,435
Additions	46,587	30,704	548	2,530	7,283	–	87,652
Depreciation provided during the year	(610)	(19,941)	(695)	(1,840)	(4,358)	(170)	(27,614)
Disposals	–	(497)	(75)	(35)	(376)	–	(983)
Impairment	–	(4,518)	–	–	–	–	(4,518)
Exchange realignment	–	252	135	13	59	4	463
At 31 March 2011, net of accumulated depreciation and impairment	72,476	25,694	2,928	3,707	10,237	393	115,435
At 31 March 2011:							
Cost	75,813	99,631	5,895	13,301	30,167	2,754	227,561
Accumulated depreciation and impairment	(3,337)	(73,937)	(2,967)	(9,594)	(19,930)	(2,361)	(112,126)
Net carrying amount	72,476	25,694	2,928	3,707	10,237	393	115,435

At 31 March 2012, certain of the Group's land and buildings with an aggregate net book value of approximately HK$102,693,000 (2011: HK$9,366,000) were pledged to secure general banking facilities granted to the Group (note 25(a)(i)).

The Group's land and buildings included in property, plant and equipment with net carrying amounts of HK$121,089,000 and HK$3,274,000 (2011: HK$69,130,000 and HK$3,346,000) are situated in Hong Kong and Macau, respectively, and are held under medium term leases.

15. INTANGIBLE ASSETS

Trademarks

	Group 2012 HK$'000	Group 2011 HK$'000
At 1 April:		
Cost	**4,309**	4,022
Accumulated amortisation and impairment	**(2,595)**	(2,297)
Net carrying amount	**1,714**	1,725
Cost at beginning of year, net of accumulated amortisation and impairment	**1,714**	1,725
Additions	**195**	343
Amortisation provided during the year (note 6)	**(344)**	(340)
Write-off during the year (note 6)	**–**	(14)
At 31 March	**1,565**	1,714

	Group 2012 HK$'000	Group 2011 HK$'000
At 31 March:		
Cost	**4,327**	4,309
Accumulated amortisation and impairment	**(2,762)**	(2,595)
Net carrying amount	**1,565**	1,714

16. INTERESTS IN SUBSIDIARIES

	Company 2012 HK$'000	Company 2011 HK$'000
Unlisted shares, at cost	**143,631**	143,631
Capital contribution in respect of employee share-based compensation	**6,091**	1,509
	149,722	145,140

The amounts due from subsidiaries included in the Company's current assets are unsecured, interest-free and repayable on demand.

16. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Bauhaus Investments (BVI) Limited*	British Virgin Islands	Ordinary US$1,000	100	–	Investment holding
Bauhaus Holdings Limited	Hong Kong	Non-voting deferred HK$2 and ordinary HK$2	–	100	Trading of garments and accessories
Tough Jeans Limited	Hong Kong	Non-voting deferred HK$5 and ordinary HK$2	–	100	Trading of garments and accessories
Bauhaus (China) Limited	Hong Kong	Ordinary HK$1	–	100	Investment holding and trading of garments and accessories
Bauhaus Property Limited	Hong Kong	Ordinary HK$2	–	100	Property holding
Sky Top Investment (Group) Limited	Hong Kong	Ordinary HK$1	–	100	Property holding
Bauhaus Management Limited	Hong Kong	Ordinary HK$1,000,000	–	100	Provision of management services
Bauhaus Retail (Macau) Limited*	Macau	Ordinary MOP25,000	–	100	Trading of garments and accessories
Tough Jeans Macao Commercial Offshore Limited	Macau	Ordinary MOP100,000	–	100	Trading of garments and accessories
包豪氏企業有限公司	Taiwan	NT$500,000	–	100	Trading of garments and accessories
強韌貿易(深圳)有限公司*#	PRC/Mainland China	HK$12,000,000	–	100	Trading of garments and accessories
強韌貿易(上海)有限公司*#	PRC/Mainland China	HK$2,000,000	–	100	Trading of garments and accessories
包浩斯貿易(北京)有限公司*#	PRC/Mainland China	HK$2,000,000	–	100	Trading of garments and accessories
包浩斯貿易(廣州)有限公司*#	PRC/Mainland China	HK$2,000,000	–	100	Trading of garments and accessories
汕頭市包浩斯服飾製品有限公司*#	PRC/Mainland China	RMB20,000,000	–	100	Manufacture of garments and accessories

* The statutory financial statements of these subsidiaries were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

These subsidiaries are registered as wholly-foreign-owned enterprises under the PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. HELD-TO-MATURITY DEBT SECURITIES

	Group 2012 HK$'000	2011 HK$'000
Unlisted bonds, at amortised cost	**920**	1,668
Current portion	**(920)**	(780)
Non-current portion	**–**	888

These unlisted bonds have an aggregate nominal value of RMB740,000 (2011: RMB1,390,000), bear interest at a rate of 2.70% (2011: 2.25% to 2.70%) per annum and will mature in October 2012 (2011: between 2011 and 2012). The amortised costs of the held-to-maturity debt securities have been computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount.

18. DEFERRED TAX

Group

Deferred tax assets

	Decelerated tax depreciation HK$'000	Losses available for offsetting against future taxable profits HK$'000	Provision for unrealised profit on inventories HK$'000	Withholding taxes HK$'000	Other provisions HK$'000	Total HK$'000
At 1 April 2010	3,113	99	7,290	(3,390)	3,391	10,503
Deferred tax credited/(charged) to profit or loss during the year*	327	(26)	9,890	(2,710)	884	8,365
Exchange realignment	–	–	–	–	201	201
At 31 March 2011 and 1 April 2011	3,440	73	17,180	(6,100)	4,476	19,069
Deferred tax credited/(charged) to profit or loss during the year*	390	(34)	(3,970)	–	4,900	1,286
Exchange realignment	–	–	–	–	122	122
At 31 March 2012	3,830	39	13,210	(6,100)	9,498	20,477

18. DEFERRED TAX *(Continued)*

Group *(Continued)*

Deferred tax liabilities

	Accelerated tax depreciation HK$'000
At 1 April 2010	1,284
Deferred tax charged to profit or loss during the year*	213
At 31 March 2011 and 1 April 2011	1,497
Deferred tax charged to profit or loss during the year*	368
At 31 March 2012	1,865

* The total deferred tax credited to profit or loss during the year amounted to HK$918,000 (2011: deferred tax credited to profit or loss of HK$8,152,000) (note 10).

At the end of the reporting period, the Group had tax losses arising in Hong Kong of HK$19,116,000 (2011: HK$11,015,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also had tax losses arising in Mainland China of HK$61,197,000 (2011: HK$17,112,000) that will expire in three to five years for offsetting against future taxable profits. Deferred tax assets have been recognised only for tax losses arising in Hong Kong of approximately HK$236,000 (2011: HK$442,000). Deferred tax assets have not been recognised in respect of the remaining tax losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings generated after 31 December 2007.

A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2012, deferred tax liabilities have not been provided in respect of certain of the unremitted retained earnings of the Group's subsidiaries after 1 January 2008 amounting to HK$92,110,000 (2011: HK$61,205,000) as the payment of dividend is not considered probable.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

19. INVENTORIES

	Group 2012 HK$'000	2011 HK$'000
Raw materials	**13,091**	19,344
Work in progress	**3,974**	6,947
Finished goods	**252,384**	175,391
	269,449	201,682

20. TRADE RECEIVABLES

	Group 2012 HK$'000	2011 HK$'000
Trade receivables	**28,654**	34,023
Impairment	**(1)**	(1)
	28,653	34,022

Retail sales are made on cash terms or by credit card with very short credit terms. Wholesales are made to customers with general credit terms ranging from 30 days to 60 days, except for certain well-established customers with a long business relationship with the Group, where the terms are extended, while no credit terms were granted to sales to franchisees. 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.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group 2012 HK$'000	2011 HK$'000
Within 90 days	**28,373**	33,914
91 to 180 days	**1**	35
181 to 365 days	**266**	73
Over 365 days	**13**	–
	28,653	34,022

20. TRADE RECEIVABLES *(Continued)*

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 January	**1**	–
Impairment losses recognised (note 6)	**–**	1
	1	1

Included in the provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$1,000 (2011: HK$1,000) with a carrying amount of HK$1,000 (2011: HK$1,000). The individually impaired trade receivables relate to a customer that is in financial difficulties or in liquidation and are not expected to be recovered.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**27,244**	33,908
Less than 3 months past due	**1,126**	5
3 to less than 12 months past due	**283**	109
	28,653	34,022

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**12,633**	21,183	**142**	142
Deposits and other receivables	**17,423**	7,455	**–**	–
	30,056	28,638	**142**	142

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**86,167**	150,284	**134**	328
Non-pledged time deposits with original maturity of less than three months when acquired	**–**	3,650	**–**	–
Cash and cash equivalents	**86,167**	153,934	**134**	328

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$29,821,000 (2011: HK$70,310,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. In the prior year, time deposits were made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earned interest at the respective time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

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

	Group	
	2012	2011
	HK$'000	HK$'000
Within 90 days	**23,860**	21,551
91 to 180 days	**329**	49
181 to 365 days	**313**	373
Over 365 days	**107**	11
	24,609	21,984

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

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**34,695**	18,758	**8**	7
Accruals	**67,607**	55,946	**12**	5
	102,302	74,704	**20**	12

Other payables are non-interest-bearing and are normally settled on 30-day to 60-day terms.

25. INTEREST-BEARING BANK BORROWINGS

		2012	
Group	**Effective interest rate (%)**	**Maturity**	**HK$'000**
Current – secured			
Bank loans	**1–7**	**2012**	**33,388**
Bank loans which contain a repayment on demand clause	**1–2**	**2013–2014**	**13,370**
			46,758

	HK$'000
Analysed into bank loans repayable:*	
Within one year or on demand	**33,388**
In the second year	**13,370**
	46,758

* The amounts due are based on scheduled repayment dates set out in the notices for repayment schedule issued by the bank and ignore the effect of any repayment on demand clause.

The Group did not have any interest-bearing bank borrowings as at 31 March 2011 while the Company did not have any interest-bearing bank borrowings as at 31 March 2012 and 31 March 2011.

Notes:

(a) The Group's bank loans are secured by:

(i) mortgages over the Group's buildings, which had an aggregate carrying value at the end of the reporting period of approximately HK$102,693,000 (2011: HK$9,366,000); and

(ii) corporate guarantees given by the Company and a Group's subsidiary of HK$70,240,000 and HK$25,000,000, respectively (2011: Nil).

(b) All borrowings are in Hong Kong dollars.

26. SHARE CAPITAL

Shares

	Company 2012 HK$'000	2011 HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
359,450,000 ordinary shares of HK$0.1 each	**35,945**	35,945

Details of the Company's share option scheme and the share options issued under the scheme are included in note 27 to the financial statements.

27. SHARE OPTION SCHEME

On 22 April 2005, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any consultants, advisers, managers or officers of the Group, and the Company's shareholders. The Scheme will remain in force for 10 years from the date of its adoption.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the proposed grantee). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one to three years and ends on a date which is not later than three years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the nominal value of a share; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

27. SHARE OPTION SCHEME *(Continued)*

On 13 January 2012, the Board resolved to grant a total of 11,000,000 (2011: 9,840,000) share options to certain directors and employees of the Group to subscribe for shares of HK$0.10 each in the Company, subject to acceptance by the grantees, under the share option scheme adopted by the Company on 22 April 2005 as rewards for the grantees' contribution to the continual operation and development of the Group.

Each share option shall entitle the holder thereof to subscribe for one share upon exercise of such share option at an exercise price of HK$1.83 (2011: HK$3.354) per share.

The following share options were outstanding under the Scheme during the year:

	2012 Weighted average exercise price HK$ per share	**2012** Number of options '000	2011 Weighted average exercise price HK$ per share	2011 Number of options '000
At 1 April	**3.354**	**9,840**	–	–
Granted during the year	**1.830**	**11,000**	3.354	9,840
	2.550	**20,840**	3.354	9,840

No share options were exercised during the year.

The fair value of the share options granted during the year was HK$5,525,000 (HK$0.5 each) (2011: HK$8,174,000 (HK$0.83 each)) and the Group recognised a share option expense of HK$4,582,000 (2011: HK$1,509,000) during the year ended 31 March 2012.

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2012

Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
2,760	**3.354**	**2 Dec 11 to 2 Dec 15**
2,760	**3.354**	**3 Dec 12 to 2 Dec 15**
4,320	**3.354**	**3 Dec 13 to 2 Dec 15**
3,660	**1.830**	**12 Jan 13 to 12 Jan 17**
3,660	**1.830**	**12 Jan 14 to 12 Jan 17**
3,680	**1.830**	**12 Jan 15 to 12 Jan 17**
20,840		

2011

Number of options '000	Exercise price* HK$ per share	Exercise period
2,760	3.354	2 Dec 11 to 2 Dec 15
2,760	3.354	3 Dec 12 to 2 Dec 15
4,320	3.354	3 Dec 13 to 2 Dec 15
9,840		

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

27. SHARE OPTION SCHEME *(Continued)*

An ordinary resolution would be proposed at the forthcoming AGM to seek shareholders' approval for the cancellation of a total of 9,840,000 share options previously granted to certain employees and directors on 2 December 2010 but remained outstanding as at 31 March 2012. The holders of the 2010 Options shall not be entitled to any compensation for any consequential loss as a result of the approval of such cancellation. Upon the cancellation, the unvested share option expenses of approximately HK$2,810,000 would be charged to profit or loss.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Black-Scholes-Merton pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2012	2011
Dividend yield (%)	**5.00**	5.00
Expected volatility (%)	**52.42–55.28**	46.95–49.38
Risk-free interest rate (%)	**0.42–0.63**	0.86–1.20
Expected life of options (year)	**3–4**	3–4
Initial underlying stock price (HK$ per share)	**1.83**	3.35

At the end of the reporting period, the Company had 20,840,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 20,840,000 additional ordinary shares of the Company and additional share capital of HK$2,084,000 and share premium of HK$36,053,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 20,840,000 share options outstanding under the Scheme, which represented approximately 5.8% of the Company's shares in issue as at that date.

28. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 39 of this Annual Report.

The Group's contributed surplus as at 31 March 2012 and 2011 comprised (i) the waiver of an amount of HK$2,046,000 due to a company owned by a controlling shareholder of the Group in a prior year; (ii) the difference of HK$1,836,000 between the nominal value of the shares of the subsidiaries acquired, and the share capital of the Company issued in exchange pursuant to the group reorganisation; (iii) a transfer of HK$3,875,000 from the share premium account upon the group reorganisation; and (iv) net-off the distribution of a special interim dividend of HK$7,013,000 in a prior year.

In accordance with the relevant regulations applicable to wholly-foreign-owned enterprises in Mainland China and entities incorporated in Macau, a portion of the profits of the Company's subsidiaries which are registered in the PRC and Macau have been transferred to the reserve funds which are restricted to use.

28. RESERVES *(Continued)*

(b) Company

	Note	Share premium account HK$'000	Contributed surplus** HK$'000	Share option reserve HK$'000	Proposed dividends HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2010		87,875	136,518	–	48,526	76,020	348,939
Total comprehensive income for the year		–	–	–	–	44,784	44,784
Equity-settled share option arrangements		–	–	1,509	–	–	1,509
Final 2010 dividend declared		–	–	–	(30,553)	–	(30,553)
Special 2010 dividend declared		–	–	–	(17,973)	–	(17,973)
Interim 2011 dividend	12	–	–	–	–	(7,189)	(7,189)
Proposed final 2011 dividend	12	–	–	–	38,461	(38,461)	–
Proposed special 2011 dividend	12	–	–	–	17,973	(17,973)	–
At 31 March 2011 and 1 April 2011		87,875*	136,518*	1,509*	56,434	57,181*	339,517
Total comprehensive income for the year		–	–	–	–	74,782	74,782
Equity-settled share option arrangements		–	–	4,582	–	–	4,582
Final 2011 dividend declared		–	–	–	(38,461)	–	(38,461)
Special 2011 dividend declared		–	–	–	(17,973)	–	(17,973)
Interim 2012 dividend	12	–	–	–	–	(7,189)	(7,189)
Proposed final 2012 dividend	12	–	–	–	23,364	(23,364)	–
At 31 March 2012		87,875*	136,518*	6,091*	23,364	101,410*	355,258

* These reserve accounts comprise the reserves of HK$331,894,000 (2011: HK$283,083,000) in the statement of financial position of the Company.

** The Company's contributed surplus comprises the excess of the fair value of the shares of the subsidiary acquired pursuant to the group reorganisation which amounted to HK$143,631,000 and the nominal value of the Company's shares issued in exchange for HK$100,000; and net-off the distribution of a special interim dividend totalling HK$7,013,000 in a prior year.

29. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Bank guarantees given in lieu of utility and property rental deposits	**5,502**	5,473

As at the end of the reporting period, the Company did not have any significant contingent liabilities.

30. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in note 25 to the financial statements.

31. OPERATING LEASE ARRANGEMENTS

As lessee

The Group, as lessee, leases its retail shops and certain of its offices and warehouses under operating lease arrangements with lease terms ranging from one to nine years.

At 31 March 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2012	2011
	HK$'000	HK$'000
Within one year	**236,617**	204,473
In the second to fifth years, inclusive	**258,255**	229,713
Over five years	**7,013**	10,129
	501,885	444,315

The operating lease rentals of certain retail shops are based on the higher of a fixed rental and contingent rent based on the sales of the retail shops pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these retail shops could not be estimated reliably, the relevant contingent rent has not been included above and only the minimum lease commitment has been included in the above table.

No operating lease arrangements were entered into by the Company as at 31 March 2012 (2011: Nil).

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group and the Company had no material capital commitments contracted, but not provided for in the financial statements as at 31 March 2012 (2011: Nil).

33. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

		2012	2011
	Notes	**HK$'000**	HK$'000
Computer system maintenance charges paid to related companies	(i)	**1,890**	1,284
Purchases of computer equipment from related companies	(ii)	**2,624**	1,499

Notes:

(i) The computer system maintenance charges paid to related companies were determined between the parties with reference to the actual staff costs incurred.

(ii) The purchases of computer equipment from related companies were made at prices and conditions with reference to those offered by major suppliers of the Group.

The related companies referred to in notes (i) and (ii) are companies controlled by a close family member of a director of the Group.

The above related party transactions referred to in notes (i) and (ii) constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) All compensation of key management personnel of the Group is included in the directors' remuneration and the five highest paid employees as set out respectively in notes 8 and 9 to the financial statements.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2012

Financial assets

	Group		
	Loans and receivables HK$'000	Held-to-maturity investments HK$'000	Total HK$'000
Held-to-maturity debt securities	–	920	920
Financial assets included in rental, utility and other non-current deposits	74,207	–	74,207
Trade receivables	28,653	–	28,653
Financial assets included in prepayments, deposits and other receivables (note 21)	17,423	–	17,423
Cash and cash equivalents	86,167	–	86,167
	206,450	920	207,370

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	24,609
Financial liabilities included in other payables and accruals (note 24)	34,695
Interest-bearing bank borrowings	46,758
	106,062

34. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2011

Financial assets

	Group		
	Loans and receivables HK$'000	Held-to-maturity investments HK$'000	Total HK$'000
Held-to-maturity debt securities	–	1,668	1,668
Financial assets included in rental, utility and other non-current deposits	64,963	–	64,963
Trade receivables	34,022	–	34,022
Financial assets included in prepayments, deposits and other receivables (note 21)	7,455	–	7,455
Cash and cash equivalents	153,934	–	153,934
	260,374	1,668	262,042

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	21,984
Financial liabilities included in other payables and accruals (note 24)	18,758
	40,742

34. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial assets

	Company 2012 Loans and receivables HK$'000	Company 2011 Loans and receivables HK$'000
Due from subsidiaries	**241,225**	229,864
Cash and cash equivalents	**134**	328
	241,359	230,192

Financial liabilities

	Company 2012 Financial liabilities at amortised cost HK$'000	Company 2011 Financial liabilities at amortised cost HK$'000
Other payables (note 24)	**8**	7

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash at banks and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written financial risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its financial risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives or other financial instruments for hedging purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with a floating interest rate. The Group has no specific policy to deal with cash flow interest rate risk. However, management monitors the exposure and will consider hedging the interest rate risk exposure for significant cash flow risks should the need arise.

The Group has no debt obligation with floating interest rates for the year ended 31 March 2011.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's and the Company's equity.

		Group			Company
2012	**Increase/ (decrease) %**	**Increase/ (decrease) in profit/(loss) before tax HK$'000**	**Increase/ (decrease) in equity* HK$'000**	**Increase/ (decrease) %**	**Increase/ (decrease) in equity* HK$'000**
Hong Kong dollar	**1**	**(468)**	**–**	**1**	**–**
Hong Kong dollar	**(1)**	**468**	**–**	**(1)**	**–**

* Excluding retained profits

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. As transactions denominated in currencies other than the functional currency are minimal, the exposure to foreign currency risk is not considered significant.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

	%	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2012			
If Hong Kong dollar weakens against RMB	**(1)**	**1,301**	**–**
If Hong Kong dollar strengthens against RMB	**1**	**(1,301)**	**–**
2011			
If Hong Kong dollar weakens against RMB	(1)	1,479	–
If Hong Kong dollar strengthens against RMB	1	(1,479)	–

* Excluding retained profits

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, held-to-maturity debt securities, deposits and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banking credit facilities. The Group's policy is to minimise borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2012			
	On demand HK$'000	**Less than 3 months HK$'000**	**3 to less than 12 months HK$'000**	**Total HK$'000**
Interest-bearing bank borrowings	**46,758**	**–**	**–**	**46,758**
Trade payables	**3,251**	**18,333**	**3,025**	**24,609**
Other payables	**21,666**	**12,953**	**76**	**34,695**
Guarantees given to banks in connection with facilities granted to subsidiaries	**5,502**	**–**	**–**	**5,502**
	77,177	**31,286**	**3,101**	**111,564**

	2011			
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Total HK$'000
Trade payables	3,888	18,096	–	21,984
Other payables	15,084	3,433	241	18,758
Guarantees given to banks in connection with facilities granted to subsidiaries	5,473	–	–	5,473
	24,445	21,529	241	46,215

Company

	2012 On demand HK$'000	2011 On demand HK$'000
Other payables (note 24)	**8**	7

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The table below summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the notices for repayment schedule issued by the bank. The amounts include interest payments computed using contractual rates. As a result, these amounts were larger than the amounts disclosed in the "on demand or less than 12 months" time band in the above maturity analysis. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the notices for repayment schedule issued by the bank.

	Less than 12 months HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
31 March 2012	**33,388**	**13,370**	**46,758**
31 March 2011	–	–	–

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2012 and 31 March 2011.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The Group's policy is to keep the current ratio above 1. The current ratios as at the end of the reporting periods were as follows:

	2012 HK$'000	2011 HK$'000
Total current assets	**417,686**	419,227
Total current liabilities	**186,623**	126,461
Current ratio	**2.2**	3.3

36. EVENT AFTER THE REPORTING PERIOD

On 11 April 2012, the Group entered into sale and purchase agreements with an independent third party to sell certain land and buildings situated in Hong Kong for an aggregate cash consideration of HK$54,400,000. These transactions were completed on 11 June 2012 and generated a gain on disposal before expense of approximately HK$13 million.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 June 2012.

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	**1,159,872**	1,011,704	793,792	745,599	617,612
Cost of sales	**(355,355)**	(303,514)	(237,370)	(232,233)	(204,353)
Gross profit	**804,517**	708,190	556,422	513,366	413,259
Other income and gains	**4,329**	4,518	3,608	2,909	5,889
Selling and distribution costs	**(574,936)**	(458,484)	(368,927)	(348,727)	(260,831)
Administrative expenses	**(120,063)**	(99,431)	(82,139)	(83,881)	(77,564)
Other expenses	**(8,777)**	(5,994)	(6,680)	(8,012)	(1,369)
Finance costs	**(1,277)**	–	–	–	–
PROFIT BEFORE TAX	**103,793**	148,799	102,284	75,655	79,384
Income tax expense	**(27,906)**	(33,272)	(19,256)	(14,886)	(12,349)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**75,887**	115,527	83,028	60,769	67,035
DIVIDENDS	**30,553**	63,623	55,715	37,742	48,526

	As at 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
TOTAL ASSETS	**705,469**	622,896	512,047	453,923	432,493
TOTAL LIABILITIES	**(188,488)**	(127,958)	(86,109)	(75,576)	(68,522)
	516,981	494,938	425,938	378,347	363,971