bauhaus

annual report 2015

BAUHAUS INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code:483)

Contents


bauhaus


Salad

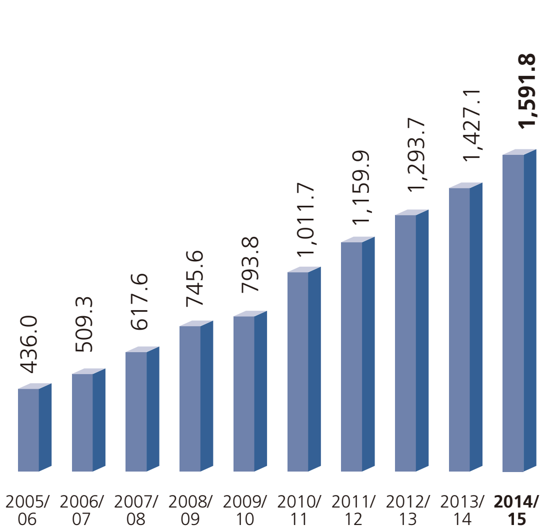
SEGMENT TURNOVER

Market	Turnover			Turnover Composition		
	FY 2014/15 HK$ million	FY 2013/14 HK$ million	Change %	FY 2014/15 %	FY 2013/14 %	Change % pts
By Region						
Hong Kong & Macau	1,129.2	1,001.8	+12.7	70.9	70.2	+0.7
Taiwan	313.5	270.9	+15.7	19.7	19.0	+0.7
Mainland China	132.5	135.1	–1.9	8.3	9.4	–1.1
Elsewhere	16.6	19.3	–14.0	1.1	1.4	–0.3
	1,591.8	1,427.1	+11.5	100.0	100.0	
By Business						
Retail – Offline	1,547.3	1,387.9	+11.5	97.2	97.2	0.0
Retail – Online	9.3	1.0	+830.0	0.6	0.1	+0.5
Franchise	17.6	18.6	–5.4	1.1	1.3	–0.2
Wholesales & Others	17.6	19.6	–10.2	1.1	1.4	–0.3
	1,591.8	1,427.1	+11.5	100.0	100.0	

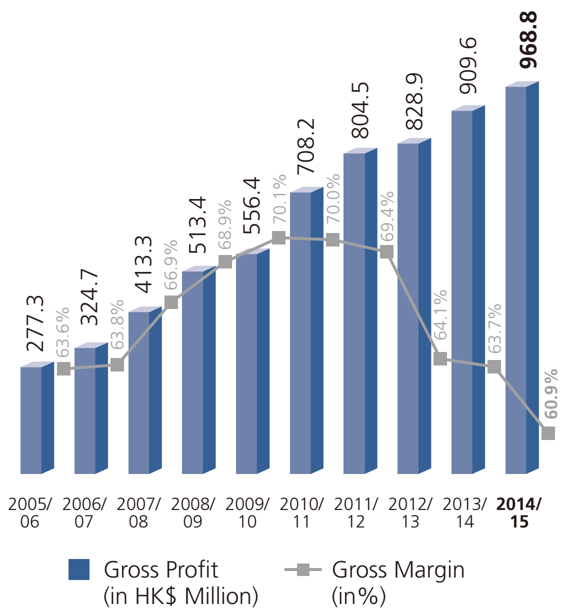
RETAIL NETWORK

		Number of outlets			
		Hong Kong & Macau	Taiwan	Mainland China	TOTAL
As at 31 March 2015					
Self-managed retail network					
In-House Brand	BAUHAUS	33	11	6	50
	SALAD	25	13	18	56
	TOUGH	7	27	5	39
	Others	7	6	2	15
Licensed Brand	SUPERDRY	10	31	–	41
	DESIGUAL	1	7	–	8
Sub-total number of shops		83	95	31	209
Aggregate sales footage (in sq. feet)		104,101	78,574	33,126	215,801
Franchise network		–	–	13	13
TOTAL number of shops		83	95	44	222
As at 31 March 2014					
Self-managed retail network					
In-House Brand	BAUHAUS	35	13	9	57
	SALAD	20	13	7	40
	TOUGH	8	29	9	46
	Others	9	7	–	16
Licensed Brand	SUPERDRY	10	23	1	34
	DESIGUAL	2	2	–	4
Sub-total number of shops		84	87	26	197
Aggregate sales footage (in sq. feet)		104,371	71,201	33,481	209,053
Franchise network		–	–	17	17
TOTAL number of shops		84	87	43	214

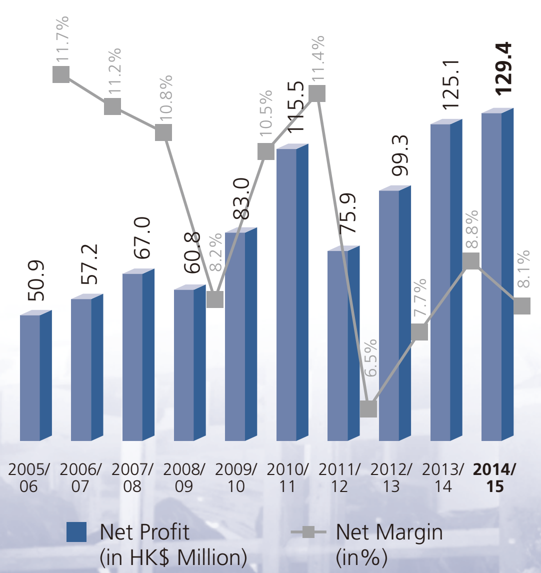
Sales (in HK$ Million)



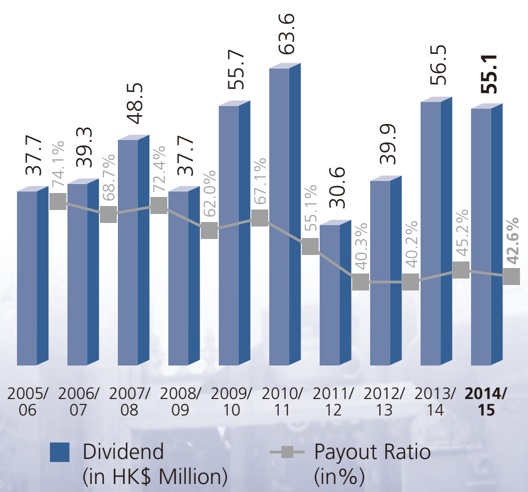
Gross Profit & Gross Margin



Net Profit & Net Margin



Dividend & Payout Ratio

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Jeansmith
TAKE THE EASY
PANTS

		Notes	FY 14/15	FY 13/14	Change
KEY FINANCIAL RATIOS					
Performance					
Gross Margin	(%)	1	**60.9**	63.7	–2.8 % pts.
Net Profit Margin	(%)	2	**8.1**	8.8	–0.7 % pt.
Return on Average Equity	(%)	3	**17.7**	19.4	–1.7 % pts.
Return on Average Assets	(%)	4	**14.5**	15.5	–1.0 % pt.
Operating					
Inventory Turnover Days		5	**152**	186	–34 days
Debtors' Turnover Days		6	**11**	13	–2 days
Creditors' Turnover Days		7	**23**	22	+1 day
Liquidity and Gearing					
Current Ratio		8	**4.0**	3.9	+2.6%
Quick Ratio		9	**2.4**	2.2	+9.1%
Gearing Ratio	(%)	10	**2.1**	–	+2.1 % pts.
PER SHARE DATA					
Book Value Per Share	(HK cents)	11	**209.4**	189.5	+10.5%
Basic Earnings Per Share	(HK cents)	12	**35.4**	34.6	+2.3%
Diluted Earnings Per Share	(HK cents)	13	**35.4**	34.6	+2.3%
Dividend Per Share					
Interim	(HK cents)		**1.5**	1.5	–
Proposed Final	(HK cents)		**13.5**	14.0	–3.6%
			15.0	15.5	–3.2%
Dividend Payout Ratio	(%)	14	**42.6**	45.2	–2.6 % 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 equity holders of the parent divided by turnover for the year.

3 "Return on Average Equity" represents the profit for the year attributable to equity holders 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 equity holders 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 the reporting period of 367,210,000 (2014: 364,810,000).

12 "Basic Earnings Per Share" is calculated as the profit for the year attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the year under review of 365,386,255 (2014: 361,216,731).

13 "Diluted Earnings Per Share" is calculated as the profit for the year attributable to equity holders 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 365,884,534 (2014: 361,538,001) 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 equity holders 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

AUTHORISED REPRESENTATIVES

Mr. Wong Yui Lam
Madam Lee Yuk Ming

COMPANY SECRETARY

Mr. Li Kin Cheong

QUALIFIED ACCOUNTANT

Mr. Li Kin Cheong

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

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

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

REGISTERED OFFICE

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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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

INVESTOR RELATION

Strategic Financial Relations Limited
Unit A, 29/F, Admiralty Centre I,
18 Harcourt Road, 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 2015** No. of shares	**As at 31 March 2014** No. of shares
Authorised shares	2,000,000,000	2,000,000,000
Issued shares	367,210,000	364,810,000

	FY 2014/15 HK cents	**FY 2013/14** HK cents
Basic earnings per share	35.4	34.6
Diluted earnings per share	35.4	34.6
Dividend per share		
Interim	1.5	1.5
Proposed final	13.5	14.0
TOTAL	15.0	15.5

Key dates

2013/14 annual results announcement	23 June 2014
Closure of Register of Members for 2013/14 annual general meeting	12 August 2014 to 14 August 2014 *(both days inclusive)*
2013/14 annual general meeting	14 August 2014
Closure of Register of Members for 2013/14 proposed final dividend	20 August 2014 to 22 August 2014 *(both days inclusive)*
Payment of 2013/14 final dividend	12 September 2014
2014/15 interim results announcement	25 November 2014
Closure of Register of Members for 2014/15 interim dividend	30 December 2014 to 2 January 2015 *(both days inclusive)*
Payment of 2014/15 interim dividend	23 January 2015
2014/15 annual results announcement	24 June 2015
Closure of Register of Members for 2014/15 annual general meeting	25 August 2015 to 27 August 2015 *(both days inclusive)*
2014/15 annual general meeting	27 August 2015
Closure of Register of Members for 2014/15 proposed final dividend	8 September 2015 to 10 September 2015 *(both days inclusive)*
Payable of 2014/15 proposed final dividend	25 September 2015
Official website	www.bauhaus.com.hk
Financial year end	31 March
Interim period end	30 September


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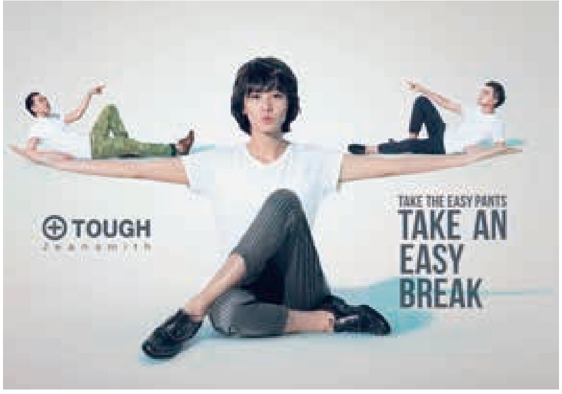
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TAKE AN
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be fantastic
stay tough


be fantastic
stay tough


Salad


Salad


Salad


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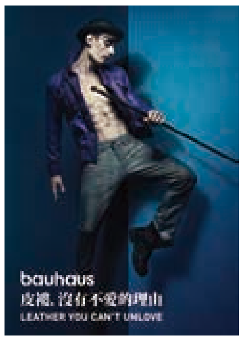
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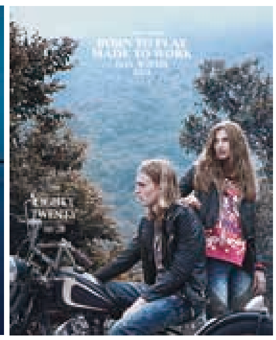

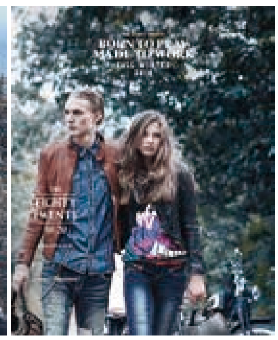


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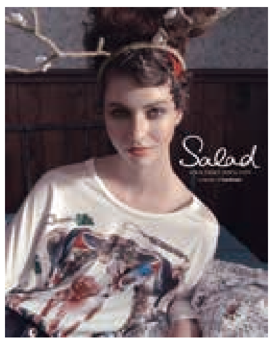
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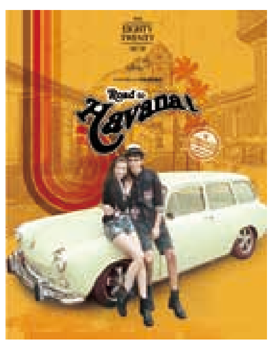
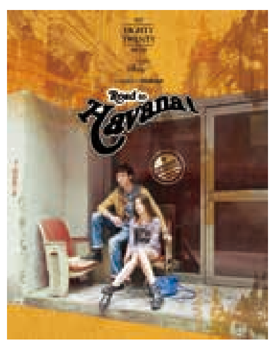

Road to Havana!


Road to Havana!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MOOMIN


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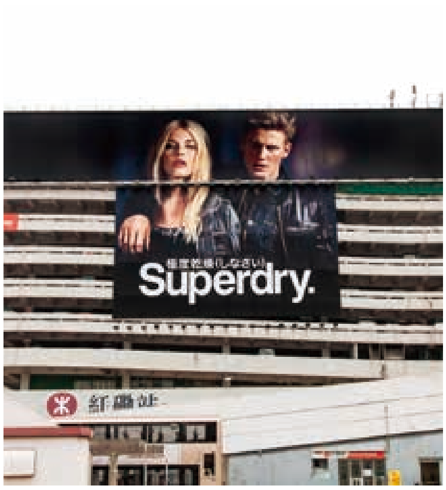
TOUGH


2nd Oct 2014 PM 9:00
MJ 116 PARTY LIVE !!
2
TOUGH
FRESH GAME
PARTY ANIMAL !! PARTY CARNIVAL !!
ENJOY
116


野友美SxWxAxG


Superdry.


Superdry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JACKET WORKSHOP


Superdry.


Super
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呈獻
三谷幸喜
笑の大学
爆笑劇本 爆笑組合 爆笑全城
糊塗戲班
傾力製作
林海峰
葛民輝
ACADEMY
OF LAUGHTER
反應激烈
加開七場
2014年8月1-17日
香港藝術中心壽臣劇院
票價 $580 $480 $380


Superdry.
SuperdryStore.
Superdry.


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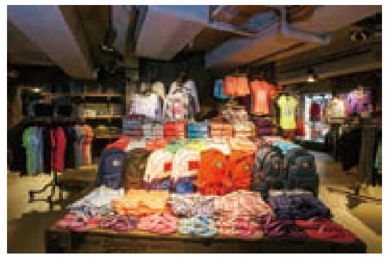
TOUGH Jeansmith

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S/S 15 Collection


SuperdryStore.
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Salad
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Salad
MOOMIN
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Salad


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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 2015.

Over the past twelve months, market conditions have remained challenging, characterised by significant rental pressure, high operating costs and the ongoing slowdown in China's economic growth. Moreover, volatile retail sentiment occurred within the regions where the Group operates. In Hong Kong, the local economy experienced several obstacles, including political unrest and declining consumption as well as changing patterns of consumption by individual travellers from Mainland China. Such developments, consequently, affected the performance of the retail market.

On the macroeconomic level, conditions remained fluctuating, characterised by a depreciation of most major currencies and weak consumer confidence, thus hampering the domestic retail recovery.

Despite the strong headwinds, the Group has again managed to record a record-high annual turnover and net profit. In line with its prudent approach, the Group has continued to focus on improving efficiency, controlling costs and exploring fresh opportunities while tackling various obstacles. Consequently, the Group is able to deliver reasonable returns to all of its shareholders, with the Board resolving to declare a final dividend of HK13.5 cents per share for the financial year, representing an annual payout ratio of 42.6% (including the interim dividend of HK1.5 cents).

The Group has closely monitored market conditions and adjusted its strategies to align with the changing situation. With regard to its growth strategy, the Group remains committed to a prudent approach while also being receptive to new ideas and opportunities. Correspondingly, over the past year we have invested in brand building and marketing activities to fuel sales growth, consolidate the Group's brand image and extend our market reach. Prominent among our various marketing efforts has been the use of TV commercials to promote "SALAD" handbags and "BAUHAUS" leather jackets. Through this tactics, the commercials have achieved the dual objectives of raising awareness and brand building, resulting in increasing sales of these highlighted products. In tandem with the need for promotion and cautious spending, the Group plans more similarly shrewd investments to draw maximum benefits.

We intend to keep a close eye on market trends and fine-tune our product mix to bolster "BAUHAUS" as a brand synonymous with trendy fashion. The Group has already diversified its product portfolio to ensure that its products are stylish and appealing to a wide spectrum of customers.

Apart from strengthening the physical store network, the Group has been proactively exploring new sales channels, particularly online platforms. This strategy is aimed at addressing changing consumer behaviour and tapping the popularity of online shopping, as well as presenting a better shopping experience for customers. Last year, we successfully launched our very first online operation. This newly developed multi-channel retail business has shown the potential for further diversifying the Group's business and expanding revenue streams.

In order to have a greater brand mix, the Group has continued to make focused investments, as well as explore potential brand licensing opportunities that introduce of inspiring fashion items to our increasingly sophisticated end customers. Such initiatives are also essential for helping to maintain the Group's long-term competitiveness and further strengthening its differentiated market position as a trendy fashion leader across the region. The "SUPERDRY" brand provides a clear example of effective licensing. In a similar vein, we continue to sustain the vitality of the Group's brands by exploring additional high-potential labels to advance the Group's appeal to the mass market.

Though China has experienced the slowest pace of economic growth in a decade, it is generally believed that the recent loosening of monetary policy in Mainland China can help to stabilise the domestic economy. Nonetheless, the management has formulated a prudent strategy in developing the Group's operations in the region. In view of the stagnant retail performance in China as well as Taiwan, the Group is focusing on efficiently managing operations and controlling costs, as well as organising promotional activities to stimulate sales. With regards to Hong Kong, the Group will conduct seasonal sales promotions so as to reduce slow-moving inventory and maintain its overall competitiveness in its most important market. In response to the sluggish retail environment, the Group will implement marketing campaigns to further stimulate sales growth and raise brand awareness while also cautiously expanding its sales network.

The Group has remained strong in spite of market headwinds, owing to its flexible strategy, healthy financial position and relatively high liquidity. In terms of operations, the Group continues to closely examine its workflow in order to further enhance its productivity and efficiency. In addition, the Group is directing greater efforts towards improving cost controls and bolstering efficiency.

Looking ahead, the challenging business environment is expected to persist, compounded by an anticipated rise in rentals, raw material costs and wages, as well as low consumer demand. To cope with the challenges, we are continuing to implement a series of measures aimed at fortifying our foundation and raising brand awareness, both of which will facilitate our sustainable development.

Appreciation

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, business partners and customers for their unwavering support. I would also like to extend my appreciation to the management team and the Group's entire workforce for their dedication, commitment and contributions.

Wong Yui Lam
Chairman

Hong Kong, 24 June 2015

BUSINESS REVIEW

The Group has successfully managed to expand its business at a healthy pace through a focus on both organic growth in sales of the existing retail portfolio as well as fostering new business development. Encouragingly, the Group again recorded a record-high annual turnover this year for the tenth consecutive year since its listing in 2005, reaching about HK$1,591.8 million (2014: HK$1,427.1 million). Also, the Group's net profit for the year ended 31 March 2015 increased slightly by about 3.4% to approximately HK$129.4 million (2014: HK$125.1 million).

Market conditions were challenging during the year under review. As a result of a slowdown of growth in Mainland China's economy and volatile retail sentiment in the regions where the Group operates, the momentum of sales growth, particularly in Hong Kong, has obviously weakened since the fourth quarter of 2014. Although the increment in market rentals and other major operating costs started to moderate in 2015, they remained high during the year under review, placing business risks on retailers.

The Group closely monitors market trends as it is critical to remain both operationally and financially flexible to promptly counter potentially enduring market uncertainties. At the same time, the Group has not only continued to invest in brand building and marketing efforts to fuel sales growth, but also has gradually restructured procurement workflow to shorten the inventory cycle. In addition, extensive efforts were made to accelerate clearance of aged and slow-moving inventories particularly in the second half of the financial year under review even though these efforts trimmed the gross margin to some extent in the short term. The overall stock turnover period had been greatly reduced from 186 days in the previous financial year to 152 days for the year ended 31 March 2015. Meanwhile, the Group remained strong on working capital position with greater financial flexibility to cope with potentially adverse market challenges in the coming year and at the same time has strived to foster development of new business to assure growth sustainability in the future.

Hong Kong and Macau

The Hong Kong and Macau retail operation was the largest geographical operating segment of the Group, which accounted for about 70.9% of the Group's turnover (2014: 70.2%). Sales from the region were approximately HK$1,129.2 million during the year under review (2014: HK$1,001.8 million), representing double-digit growth of about 12.7%. The increase was mainly brought about by a strong same-store-sales growth rate of about 11% during the year under review, thanks to a series of successful marketing activities and effective operational measures. During the year under review, the Group continued to substantially invest in television advertising programmes and related marketing campaigns to promote key product categories, especially the "SALAD" branded handbags and wallets as well as a collection of "BAUHAUS" leather jackets. The Group has also maintained an optimum operating scale with stringent cost control measures in place. The Group has kept up with the latest developments by gradually renovating its existing shop design and decor in a more lively, trendy and attractive style, relocating shops to prime shopping locations with more cost-effective rental arrangements and enriching its shop and brand portfolio in order to remain competitive in the retail market.

The operating environment in the region, however, was difficult during the year under review. The retail sentiment in both Hong Kong and Macau has gradually weakened, a trend particularly obvious since the fourth quarter of 2014. Probably a combination of adverse factors, such as a slowdown of growth in Mainland China's economy and Mainland China's anti-corruption campaign leading to a spending contraction by visitors to Hong Kong and Macau has depressed the performance of retailers in general. In addition, the "Occupy Movement" and related protest activities starting in late September 2014 over more than two months disrupted business operations at the Group's retail shops in areas near the protests. Although, the direct financial impact on the Group's operations as a whole was not material, the recovery of local retail sentiment was sluggish during the critical retail sales season from the Christmas season to the Chinese New Year. The Group had to sacrifice gross margins to maintain sales momentum and to accelerate stock clearance. Due to the depressed consumer sentiment together with surging operating costs, particularly rentals, the segment profit in the region dropped slightly to about HK$185.8 million (2014: HK$191.0 million).

Mainland China

As at 31 March 2015, the Group operated its self-managed retail shops in Beijing, Shanghai, Guangzhou, Nanjing and Suzhou and maintained a streamlined franchise network focusing on second-tier cities in Mainland China. The Group had 31 self-managed retail stores in the region (2014: 26), of which more than half were renovated as "SALAD" specialty stores. In addition, the Group has focused on selecting more capable franchisees with greater growth potential. As at the end of the reporting period, the Group had 13 franchised shops (2014: 17).

Turnover from the Mainland China segment dropped slightly by about 1.9% to about HK$132.5 million (2014: HK$135.1 million). However, after a series of restructuring exercises in previous years, the segment eventually returned to profit and recorded a segment profit before tax of about HK$2.5 million for the year ended 31 March 2015 (2014: loss of HK$4.3 million). The same-stores-sales growth for the year under review was considered satisfactory at about 4%. Though the impact from the Mainland China segment on the Group's overall results has become less significant after the downsizing measures, the Group's priority remains the improvement of its profitability and operational effectiveness in the near future.

Taiwan

In Taiwan, because of the prolonged stagnant retail consumption and weak consumer sentiment, the overall performance of the local retail market was just fair during the year under review. Thanks to the professional retail management team, the Group has proactively managed its retail networks on the island and effectively upgraded its shop and brand mix to adjust to the challenging market trends. Although attractive promotional offerings were required to boost sales, these activities also speeded up the stock turnover rate and helped to greatly reduce the aged and slow-moving inventory level. These precision tactics not only supported the segment to achieve a positive same-store-sales growth rate of about 5% during the year under review, but also enabled the Group to acquire greater market share via a network expansion in Taiwan to 95 shops as at the end of the reporting period (2014: 87). As a result, the Group recorded a remarkable increase in the segmental turnover of about 15.7% to about HK$313.5 million (2014: HK$270.9 million). More encouragingly, the region's segment profit before tax for the year under review surged by about 103.9% to about HK$15.5 million (2014: HK$7.6 million).

Elsewhere

The Group has extended its business coverage through setting up wholesale operations to several countries, with a particular focus on Asia. The turnover from the segment dropped by about 14.0% to about HK$16.6 million (2014: HK$19.3 million) mainly due to the decrease in sales to the Japanese market. The sales demand from the Group's Japanese customers declined as a result of the depreciation of the Japanese Yen against the United States dollar as compared to the same period last year. The Group has maintained a comparable scale in its wholesale operations to last year in order to address the demand from existing customers.

FINANCIAL REVIEW

Turnover

The aggregate turnover of the Group rose by approximately 11.5% to around HK$1,591.8 million for the year ended 31 March 2015 (2014: HK$1,427.1 million). The major components of the Group's turnover by business were as follows:

	Year ended 31 March 2015 HK$ million	**Year ended 31 March 2014** HK$ million	**Change**
Retail – Offline	**1,547.3**	1,387.9	+11.5%
Retail – Online	**9.3**	1.0	+830.0%
Franchise	**17.6**	18.6	–5.4%
Wholesales and others	**17.6**	19.6	–10.2%
TOTAL	**1,591.8**	1,427.1	+11.5%

As indicated above, the traditional offline retail business was the largest sales contributor, accounting for approximately 97.2% (2014: 97.2%) of total turnover and achieving a year-on-year growth of about 11.5%. The turnover of Group's newly developed multi-channel online retail business, which is considered as a potential growth engine of the Group's sales, grew rapidly from about HK$1.0 million to about HK$9.3 million (or an increase of about 830%) for the year under review.

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 financial statements.

Gross Profit

The Group's gross profit increased to approximately HK$968.8 million for the year ended 31 March 2015 (2014: HK$909.6 million) while gross margin narrowed to around 60.9% (2014: 63.7%). Owing to the stagnant retail sentiment in various regions the Group operated, the Group provided attractive sales promotions to customers and organised sizable bargain sales campaigns to speed up the stock turnover rate and to reduce excessive inventories.

Operating Expenses

Operating expenses increased by about 8.9% to approximately HK$829.4 million (2014: HK$761.9 million) during the year ended 31 March 2015, equivalent to roughly 52.1% of total turnover (2014: 53.4%). Rent for land and buildings was about HK$344.3 million (2014: HK$323.0 million), which accounted for about 21.6% (2014: 22.6%) of the Group's turnover and equivalent to about 41.5% (2014: 42.4%) of the Group's total expenses during the year under review. Actually, the market rentals continued to surge during the year under review, but the increment became more mild in 2015. Besides, since the Group dedicated to improve the growth rate of the existing shops, strategically relocated shops to other prime shopping areas commanding lower rents and consolidated shops in nearby locations, the respective rent-to-sales ratio was further enhanced.

Staff cost increased by about 8.5% to approximately HK$240.0 million (2014: HK$221.3 million) during the year ended 31 March 2015. Staff cost-to-sales ratio was further reduced to about 15.1% (2014: 15.5%). The inflationary operating environment and shortage of experienced front-line sales staff actually led to a surge in average staff cost. To confront with the challenges, the Group strengthened the internal sales growth of the existing retail portfolio and through effective use of incentive systems to motivate sales staff and to improve productivity. The Group successfully moderated the staff cost increment and lowered the staff cost-to-sales ratio for the year under review.

Depreciation charges increased to approximately HK$41.3 million (2014: HK$35.4 million) for the year under review. Marketing and advertising expenses, representing about 3.8% (2014: 3.9%) of the Group's turnover, increased by about 9.0% to approximately HK$60.7 million for the year ended 31 March 2015 (2014: HK$55.7 million). The Group put many marketing efforts (including television advertising programmes) on key product categories and in-house brands with the highest growth prospects.

Finance Costs

The Group incurred finance costs of about HK$0.3 million (2014: HK$0.8 million) during the year under review, which represented interest expenses paid for bank borrowings and a mortgage loan to acquire a property situated in Hong Kong during the year under review.

Net Profit

The Group's net profit attributable to equity holders increased slightly by about 3.4% to approximately HK$129.4 million for the year ended 31 March 2015 (2014: HK$125.1 million). Net profit margin, however, dropped slightly from about 8.8% to about 8.1%.

SEASONALITY

Based on the Group's track record, its sales and results are greatly affected by seasonality. In general, over 50% of the Group's annual sales and most of its net profit are derived in the second-half of the financial year, particularly during the period from the Christmas season to the Lunar New Year.

CAPITAL STRUCTURE

As at 31 March 2015, the Group had net assets of approximately HK$768.9 million (2014: HK$691.4 million), comprising non-current assets of approximately HK$320.7 million (2014: HK$250.7 million), net current assets of approximately HK$455.0 million (2014: HK$447.0 million) and non-current liability of approximately HK$6.8 million (2014: HK$6.3 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2015, the Group had cash and bank balances of about HK$256.8 million (2014: HK$260.2 million). At the end of the reporting period, the Group had aggregate banking facilities of about HK$164.5 million (2014: HK$134.9 million) comprising interest-bearing bank overdraft, revolving loans, rental and utility guarantees as well as import facilities, of which about HK$134.6 million had not been utilised. In particular, the Group had a bank borrowing of about HK$19.7 million as at 31 March 2015 (2014: Nil), which was in Hong Kong dollars repayable within three years and bearing interest at variable rates from about 2% to 3% per annum (2014: Nil). The Group's gearing ratio at the end of the reporting period, representing a percentage of total interest-bearing bank borrowing to total assets, was about 2.1% (2014: Nil).

CASH FLOWS

For the year ended 31 March 2015, net cash flows from operating activities decreased to approximately HK$133.3 million (2014: HK$192.8 million), which was mainly attributed to an increase in trade receivables and deposits and a decrease in other payables. Resulting from the acquisition of a property situated in Hong Kong amounted to about HK$56.7 million during the year ended 31 March 2015, the Group's net cash flows used in investing activities increased significantly to about HK$104.6 million (2014: HK$57.0 million) during the year under review. Net cash flows used in financing activities during the year under review decreased to approximately HK$32.5 million (2014: HK$74.2 million). It was mainly because the Group repaid all the bank borrowings during the year ended 31 March 2014 while the Group obtained new bank borrowings to finance a property acquisition during the year under review.

SECURITY

As at 31 March 2015, the Group's general banking facilities and bank borrowing were secured by certain of its leasehold land and buildings with aggregate carrying value of approximately HK$119.8 million (2014: HK$64.8 million) and cross guarantees from the Company and certain subsidiaries of the Group.

CAPITAL COMMITMENT

As at 31 March 2015, both the Group and the Company had no material capital commitments (2014: Nil).

CONTINGENT LIABILITIES

As at 31 March 2015, the Group had contingent liabilities in respect of bank guarantees given in lieu of utility and property rental deposits amounting to approximately HK$5.2 million (2014: HK$7.6 million). In addition, at the end of the reporting period, the general banking facilities granted to certain subsidiaries subject to guarantees given to banks by the Company of about HK$100.2 million (2014: HK$100.2 million) were utilised to the extent of about HK$29.9 million (2014: HK$15.5 million).

HUMAN RESOURCES

Including the Directors, the Group had 1,318 (2014: 1,363) employees as at 31 March 2015. To attract and retain high quality staff, the Group provided competitive remuneration packages with performance bonuses, mandatory provident fund, and insurance and medical coverage as well as entitlements to share options to be granted under a share option scheme based on employees' performance, experience and the prevailing market rate. Remuneration packages were reviewed regularly. Regarding staff development, the Group provided regular in-house training to retail staff and subsidised their external training programmes.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's sales and purchases during the year were mostly denominated in Hong Kong dollars, New Taiwan dollars, Renminbi and United States dollars. The Group was exposed to certain foreign currency exchange risks but it does not anticipate future currency fluctuations to cause material operational difficulties or liquidity problems. However, the Group continuously monitors its foreign exchange position and, when necessary, will hedge foreign exchange exposure arising from contractual commitments in sourcing apparel from overseas suppliers.

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

DIRECTORS

Executive Directors

Mr. Wong Yui Lam, aged 57, 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 brandname "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 25 years of experience in fashion industry. He was awarded the Teacher's Certificate by Sir Robert Black College of Education in 1981 and obtained an Executive Master degree in Business Administration from the Chinese University of Hong Kong in 2014. In March 2015, Mr. Wong was awarded the Honorary Fellowship by The Hong Kong Institute of Education to salute his outstanding achievement and devotion. Mr. Wong is the father of Ms. Wong Hei Ting and Ms. Wong Hei Man, Frances, members of the Group's senior management.

Madam Lee Yuk Ming, aged 47, 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, human resources and financial management 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 20 years of experience in different areas including accounting, finance and management. She joined the Group in April 2002.

Mr. Yeung Yat Hang, aged 38, 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 decoration and retail operation. He joined the Group in May 1994.

Independent Non-Executive Directors

Dr. Wong Yun Kuen, aged 57, 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 the Chairman and an executive director of UBA Investments Limited, and the independent non-executive director of China Sandi Holdings Limited, Kingston Financial Group Limited, Guocang Group Limited, Kaisun Energy Group Limited, GT Group Holdings Limited, Far East Holdings International Limited and Sincere Watch (Hong Kong) Limited. Dr. Wong was also an independent non-executive director of Harmony Asset Limited (from September 2004 to December 2014), Hong Kong Life Sciences and Technologies Group Limited (from November 2009 to September 2012), Huajun Holdings Limited (from October 2010 to September 2014), Kong Sun Holdings Limited (from April 2007 to November 2014) and KuangChi Science Limited (from June 2007 to August 2014). 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 49, 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 20 years of working experience in the legal field in Hong Kong. Mr. Chu is currently a principal of the solicitors firm TKC Lawyers.

Mr. Mak Wing Kit, aged 47, 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 20 years of experience in auditing, accounting, company secretarial affairs 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

Ms. Wong Hei Ting, aged 28, is the Design Director of the Group. Ms. Wong oversees the Group's product design and accessories merchandising. She delivers seasonal planning of collections as well as managing the design and production process. Ms. Wong obtained a Bachelor degree in Business Administration from The Hong Kong University of Science and Technology in 2009. She joined the Group in February 2013 and is a daughter of Mr. Wong Yui Lam, the Chairman, the Chief Executive Officer and an executive director of the Company, and the sister of Ms. Wong Hei Man, Frances, the Retail Director of the Group.

Ms. Wong Hei Man, Frances, aged 27, is the Retail Director of the Group. Ms. Wong oversees the Group's retail operations. She is responsible for developing retail and promotional strategies with a view to optimising the sales across the shop networks to meet the Group's business goals. Ms. Wong obtained a Bachelor degree in Management from The University of Warwick in United Kingdom in 2010, and a Graduate Diploma in Law from the BPP University in United Kingdom in 2012. She joined the Group in December 2013 and is a daughter of Mr. Wong Yui Lam, the Chairman, the Chief Executive Officer and an executive director of the Company, and the sister of Ms. Wong Hei Ting, the Design Director of the Group.

Mr. Chan Chi Keung, aged 64, 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, a wholly-owned subsidiary of the Group. Mr. Chan is responsible for the supervision of production processes operated by the Group in the PRC and the sourcing of raw materials from suppliers in the PRC. Mr. Chan has over 30 years of manufacturing experience in the clothing and fashion accessory industry. Mr. Chan joined the Group in August 2001.

Mr. Chan Chung Kai, aged 50, is the Strategic Marketing Director of the Group. Mr. Chan has over 25 years of experience in strategic brand development and he has successfully introduced many foreign brands into Hong Kong market with overwhelming responses. He is responsible for the Group's overall procurement strategies, implementation of buying plans and overseeing the Group's import and licensed brand development. Prior to joining the Group in January 2007, Mr. Chan gained extensive strategic marketing experience in a sizable fashion group.

Madam Lau Wing Yu, Win, aged 46, is the Chief Marketing Officer. She joined the Group in July 2010 and has over 25 years of experience in fashion marketing. Madam Lau is an associate member of Hong Kong Retail Technology Industry Association and a member of Hong Kong Institute of Marketing. She is principally responsible for marketing strategies, brand building, product marketing, media relations, public relations, visual merchandising and brand crossover cooperation with various worldwide renowned artists.

Mr. Li Kin Cheong, aged 39, 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 17 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 49, is the Administration Manager of the Group. She is responsible for administration and human resources management of the Group. Madam Chan has over 25 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 development process 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 2015, 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 CG Code provision A.2.1 in respect of the roles of chairman (the "**Chairman**") and chief executive officer (the "**CEO**") of the Company. Explanations for such non-compliance are discussed later in the section of "Chairman and Chief Executive Officer" in this Corporate Governance Report.

BOARD OF DIRECTORS

The Board is collectively responsible for the management 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 Company and its shareholders 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.

As at 31 March 2015 and up to the date of this report, the Board comprised six members, including three executive Directors and three independent non-executive Directors, as shown below:

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 biographical details of the Directors and the relationship among the members of the Board, if any, are set out in the section of "Directors and Senior Management" on pages 20 to 21 of this Annual Report.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive strategic planning and execution experience and/or expertise relevant to the business of the Group.

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 business, legal and/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.

BOARD OF DIRECTORS *(Continued)*

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 declares 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 proposed transaction.

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

Pursuant to CG Code provision A.6.5, the Directors are required to participate in continuous professional development so as to ensure that their contribution to the Board remains informed and relevant. Accordingly, the Group also adopted a corporate governance policy requiring every newly appointed Director should receive a comprehensive, formal and tailored induction on appointment of at least 15 hours from the Chairman, other senior Directors and/or external professional bodies, as appropriate, so as to ensure that they have appropriate understanding of the business and operations of the Group and that they are fully aware of their responsibilities and obligations under the Listing Rules and relevant regulatory requirements. In addition, all the Directors are required to participate in at least 15 hours of continuous professional development in each financial year to develop and refresh their knowledge and skills, either through in-house training or external professional resources. All the Directors have complied with the requirements during the year ended 31 March 2015.

A summary of training received by the Directors during the year under review is as follows:

	Type of training
Executive Directors	
Mr. Wong Yui Lam *(Chairman and Chief Executive Officer)*	A, B, C
Madam Lee Yuk Ming	A, B
Mr. Yeung Yat Hang	A, B
Independent Non-Executive Directors	
Mr. Chu To Ki	A, B
Mr. Mak Wing Kit	A, B
Dr. Wong Yun Kuen	A, B

A: reading newspaper/journals and updates relating to retail industry, corporate governance and/or director's responsibilities
B: attending technical seminars/conferences/workshops/forums
C: attending postgraduate studies organised by tertiary educational institutions

During the year ended 31 March 2015, Mr. Li Kin Cheong, the company secretary of the Company (the "**Company Secretary**"), has also undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

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 and the CEO are not separated and are performed by the same person. Mr. Wong Yui Lam ("**Mr. Wong**") held and is currently holding both positions. As the founder of the Group, Mr. Wong has substantial experience in fashion industry and retail operations. 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 the 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 or a duly appointed secretary of the Board meeting and are open for inspection by any Director.

The table below sets out the attendance of each Director at the annual general meeting (the "**AGM**") and the meetings of the Board and other Board committees held during the year under review:

	AGM	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
Mr. Wong Yui Lam *(Chairman and Chief Executive Officer)*	1/1	5/6	n/a	n/a	n/a
Madam Lee Yuk Ming	1/1	6/6	n/a	n/a	n/a
Mr. Yeung Yat Hang	1/1	6/6	n/a	n/a	n/a
Independent Non-Executive Directors					
Mr. Chu To Ki	1/1	6/6	3/3	1/1	1/1
Mr. Mak Wing Kit	1/1	5/6	3/3	1/1	1/1
Dr. Wong Yun Kuen	1/1	5/6	3/3	1/1	1/1

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. Mr. Mak Wing Kit is the chairman of the audit committee and the remuneration committee; and Dr. Wong Yun Kuen is the chairman of the nomination committee. The committee members may call any meetings at any time when necessary or desirable.

BOARD COMMITTEES *(Continued)*

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 consolidated financial statements, interim 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.

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 the external auditors' independence, 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; to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The primary goal of the remuneration policy with regard to the remuneration packages to the Directors, senior management and other employees of the Group 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.

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

The details of the remuneration to the Directors for the year under review are set out in the Note 8 to the financial statements on pages 58 to 59 of this Annual Report.

In addition, the details of the remuneration for the year ended 31 March 2015 to the senior management of the Group fell within the following bands:

	Number of individuals
HK$1,000,000 or below	4
HK$1,000,001 – HK$1,500,000	3

BOARD COMMITTEES *(Continued)*

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.

In compliance with CG Code provision A.5.6, the Board has adopted a board diversity policy. The Company recognises and embraces the benefit of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. When determining the composition of the Board, board diversity will be considered from a number of factors, including but not limit to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

During the year under review, the nomination committee reviewed the present structure, size and composition of the Board as well as the board diversity policy adopted. The nomination committee 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, will 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 consolidated financial statements are set out in the section of "Independent Auditors' Report" on page 35 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 2015 are as follows:

	Year ended 31 March 2015 HK$'000	Year ended 31 March 2014 HK$'000
Audit services	**1,904**	1,780
Non-audit services	**813**	294
Total	**2,717**	2,074

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 2015, 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 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 cover all material controls, including financial, operational and compliance controls 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 maintain regular communications with various shareholders, potential investors, research analysts, fund managers and media.

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 the chairman of each of the Board committee attend the general meeting 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/or the Company's official website at 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(s), 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 in writing 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 for the attention of the Company Secretary or by email to ir@bauhaus.com.hk.

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

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

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

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

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2015.

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 2015 and the Group's financial position at that date are set out in the financial statements on pages 36 to 81 of this Annual Report.

An interim dividend of HK1.5 cents per ordinary share was paid on 23 January 2015. The directors recommend the payment of a final dividend of HK13.5 cents per ordinary share in respect of the year to shareholders on the register of members on Thursday, 10 September 2015. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company (the "**AGM**"), the proposed final dividend will be payable on or before Friday, 25 September 2015. 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 AGM is scheduled on Thursday, 27 August 2015. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 25 August 2015 to Thursday, 27 August 2015, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 24 August 2015.

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 scheduled on Thursday, 10 September 2015. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 8 September 2015 to Thursday, 10 September 2015, 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 registrar in Hong Kong, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Monday, 7 September 2015.

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 82 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

Details of movements in the Company's issued share capital during the year are set out in Note 25 to the financial statements.

Details of movements in the Company's share options during the year are set out in Note 26 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.

DISTRIBUTABLE RESERVES

At 31 March 2015, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to HK$295,324,000 of which an aggregate of HK$49,573,000 has been proposed as final dividend for the year. In addition, the Company's share premium account, in the amount of HK$105,185,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$725,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2015, 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 20% and 54%, respectively, of the Group's total purchases for the year. None of the directors or any of their close associates or any shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) had beneficial interests in the Group's top five suppliers 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has renewed his/her service contract with the Company for a term of three years commencing from 1 May 2014. 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2015, 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 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 number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Wong Yui Lam	1,700,000	29,900,000 (note)	180,000,000 (note)	211,600,000	57.62%
Madam Lee Yuk Ming	250,000	–	–	250,000	0.07%
Mr. Yeung Yat Hang	4,730,000	–	–	4,730,000	1.29%

Note: The 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. The 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 position in share options of the Company

Name of director	Number of options directly beneficially owned
Madam Lee Yuk Ming	550,000

(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	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 2015, 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 26 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 2014	Granted during the year	Exercised during the year (iii)	Forfeited during the year	At 31 March 2015	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	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
	550,000	–	–	–	550,000			
Mr. Yeung Yat Hang	200,000	–	(200,000)	–	–	13 Jan 12	12 Jan 15 to 12 Jan 17	1.830
Other employees								
In aggregate	210,000	–	(60,000)	–	150,000	13 Jan 12	12 Jan 13 to 12 Jan 17	1.830
	520,000	–	(150,000)	–	370,000	13 Jan 12	12 Jan 14 to 12 Jan 17	1.830
	2,660,000	–	(1,990,000)	(240,000)	430,000	13 Jan 12	12 Jan 15 to 12 Jan 17	1.830
	3,390,000	–	(2,200,000)	(240,000)	950,000			
	4,140,000	–	(2,400,000)	(240,000)	1,500,000			

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 weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised, was HK$2.75 per share.

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.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group during the year are set out in Note 32 to the financial statements. These related party transactions also constituted continuing connected transactions exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

At 31 March 2015, 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	49.02%
East Asia International Trustees Limited ("**EAIT**") (note 2)	Long position	–	–	180,000,000	180,000,000	49.02%
Wonder View (note 3)	Long position	29,900,000	–	–	29,900,000	8.14%
Great Elite Corporation ("**Great Elite**") (note 4)	Long position	34,068,000	–	–	34,068,000	9.28%
David Michael Webb (note 5)	Long position	7,292,000	18,830,000	–	26,122,000	7.11%

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. The 18,830,000 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. David Michael Webb.

Save as disclosed above, as at 31 March 2015, 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total number of issued shares was held by the public as at the date of this report.

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
24 June 2015

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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 (the "**Group**") set out on pages 36 to 81, which comprise the consolidated and company statements of financial position as at 31 March 2015, the consolidated statement of profit or loss and other 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 2015, 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
24 June 2015

Year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	5	**1,591,817**	1,427,113
Cost of sales		**(623,050)**	(517,530)
GROSS PROFIT		**968,767**	909,583
Other income and gain	5	**10,413**	2,224
Selling and distribution expenses		**(710,007)**	(650,137)
Administrative expenses		**(110,791)**	(106,639)
Other expenses		**(8,606)**	(5,157)
Finance costs	7	**(347)**	(789)
PROFIT BEFORE TAX	6	**149,429**	149,085
Income tax expense	10	**(20,062)**	(23,966)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	11	**129,367**	125,119
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Currency translation differences		**59**	779
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**129,426**	125,898
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	13		
Basic		**HK 35.4 cents**	HK 34.6 cents
Diluted		**HK 35.4 cents**	HK 34.6 cents

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

31 March 2015

	Notes	**2015 HK$'000**	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**201,610**	145,309
Intangible assets	15	**931**	1,203
Rental, utility and other non-current deposits		**90,390**	80,273
Deferred tax assets	17	**27,788**	23,886
Total non-current assets		**320,719**	250,671
CURRENT ASSETS			
Inventories	18	**251,346**	268,427
Trade receivables	19	**56,332**	41,482
Prepayments, deposits and other receivables	20	**34,888**	26,769
Tax recoverable		**5,803**	4,967
Cash and bank balances	21	**256,818**	260,221
Total current assets		**605,187**	601,866
CURRENT LIABILITIES			
Trade payables	22	**35,398**	38,754
Other payables and accruals	23	**85,776**	106,942
Interest-bearing bank borrowing	24	**19,678**	–
Tax payable		**9,295**	9,174
Total current liabilities		**150,147**	154,870
NET CURRENT ASSETS		**455,040**	446,996
TOTAL ASSETS LESS CURRENT LIABILITIES		**775,759**	697,667
NON-CURRENT LIABILITY			
Deferred tax liabilities	17	**6,804**	6,288
NET ASSETS		**768,955**	691,379
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	25	**36,721**	36,481
Reserves	27(a)	**682,661**	603,825
Proposed dividend	12	**49,573**	51,073
TOTAL EQUITY		**768,955**	691,379

Wong Yui Lam
Chairman, CEO & Executive Director

Lee Yuk Ming
Executive Director

Year ended 31 March 2015

	Notes	Share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (Note 27(a))	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000 (Note 27(a))	Proposed dividends HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 April 2013		35,945	87,875	744	11,698	25,048	10,116	36,305	388,636	596,367
Issue of shares by exercise of share options	25	536	11,943	–	(2,670)	–	–	–	–	9,809
Final 2013 dividend declared		–	–	–	–	–	–	(36,305)	–	(36,305)
Total comprehensive income for the year		–	–	–	–	779	–	–	125,119	125,898
Equity-settled share option arrangements	26	–	–	–	1,047	–	–	–	–	1,047
Interim 2014 dividend	12	–	–	–	–	–	–	–	(5,437)	(5,437)
Proposed final 2014 dividend	12	–	–	–	–	–	–	51,073	(51,073)	–
At 31 March 2014 and 1 April 2014		36,481	99,818*	744*	10,075*	25,827*	10,116*	51,073	457,245*	691,379
Issue of shares by exercise of share options	25, 26	240	5,367	–	(1,215)	–	–	–	–	4,392
Final 2014 dividend declared		–	–	–	–	–	–	(51,073)	–	(51,073)
Total comprehensive income for the year		–	–	–	–	59	–	–	129,367	129,426
Equity-settled share option arrangements	26	–	–	–	326	–	–	–	–	326
Interim 2015 dividend	12	–	–	–	–	–	–	–	(5,495)	(5,495)
Proposed final 2015 dividend	12	–	–	–	–	–	–	49,573	(49,573)	–
At 31 March 2015		36,721	105,185*	744*	9,186*	25,886*	10,116*	49,573	531,544*	768,955

* These reserve accounts comprise the consolidated reserves of HK$682,661,000 (2014: HK$603,825,000) in the consolidated statement of financial position.

Year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**149,429**	149,085
Adjustments for:			
Finance costs	7	**347**	789
Bank interest income	5	**(382)**	(346)
Depreciation	6	**41,312**	35,382
Loss on disposal of items of property, plant and equipment, net	6	**2,731**	2,681
Write-off of rental deposits	6	**1**	1,317
Disposal of trademarks	6	**32**	58
Amortisation of intangible assets	6	**297**	308
Write-back of provision for slow-moving inventories, net	6	**(16,698)**	(9,059)
Provision for doubtful debts	6	**510**	7
Write-off of bad debts	6	**366**	16
Equity-settled share option expense	6, 26	**326**	1,047
Impairment of items of property, plant and equipment	6	**3,983**	427
		182,254	181,712
Increase in rental, utility and other non-current deposits		**(10,118)**	(18,326)
Decrease in inventories		**33,779**	269
Decrease/(increase) in trade receivables		**(15,726)**	16,185
Decrease/(increase) in prepayments, deposits and other receivables		**(8,119)**	5,446
Increase/(decrease) in trade payables		**(3,356)**	15,491
Increase/(decrease) in other payables and accruals		**(21,166)**	22,891
Cash generated from operations		**157,548**	223,668
Interest received		**382**	346
Interest paid		**(347)**	(789)
Hong Kong profits tax paid		**(19,556)**	(22,238)
Overseas taxes paid		**(4,697)**	(8,170)
Net cash flows from operating activities		**133,330**	192,817
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	**(104,699)**	(56,945)
Proceeds from disposal of items of property, plant and equipment		**200**	90
Additions to intangible assets	15	**(57)**	(188)
Net cash flows used in investing activities		**(104,556)**	(57,043)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	25	**4,392**	9,809
New bank loans		**40,800**	34,711
Repayment of bank loans		**(21,122)**	(77,010)
Dividends paid		**(56,568)**	(41,742)
Net cash flows used in financing activities		**(32,498)**	(74,232)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(3,724)**	61,542
Cash and cash equivalents at beginning of year		**260,221**	197,876
Effect of foreign exchange rate changes, net		**321**	803
CASH AND CASH EQUIVALENTS AT END OF YEAR		**256,818**	260,221
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**256,818**	260,221

31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSET			
Investments in subsidiaries	16	**156,702**	156,376
CURRENT ASSETS			
Due from subsidiaries	16	**268,664**	283,524
Prepayments	20	**144**	144
Cash and bank balances	21	**20,934**	4,468
Total current assets		**289,742**	288,136
CURRENT LIABILITY			
Other payables	23	**28**	23
NET CURRENT ASSETS		**289,714**	288,113
NET ASSETS		**446,416**	444,489
EQUITY			
Share capital	25	**36,721**	36,481
Reserves	27(b)	**360,122**	356,935
Proposed dividend	12	**49,573**	51,073
TOTAL EQUITY		**446,416**	444,489

Wong Yui Lam
Chairman, CEO & Executive Director

Lee Yuk Ming
Executive 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 ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance which, because the Company has not early adopted the revised Listing Rules issued by the Hong Kong Stock Exchange, are those of the predecessor Hong Kong Companies Ordinance (Cap. 32). 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 2015. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

The adoption of the revised standards and new interpretation has had no significant financial effect on these financial statements.

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 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendment to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

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 (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Hold for Sale and Discontinued Operations* 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 of disposal, 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 an 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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).

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	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	30%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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 including 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.

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 15 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 are classified, at initial recognition, 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. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

The subsequent measurement of loans and receivables is 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 other income and gains 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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 whether impairment exists individually 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.

The amount of any impairment loss identified 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).

The carrying amount of the asset is reduced through the use of an allowance account and 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 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 primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) 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 Group continues to recognise the transferred asset 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 are classified, at initial recognition, 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.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of 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 loans and borrowings is 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 there is a currently 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 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 over the expected life of the financial instrument to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments

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 payments, 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 26 to the financial statements.

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 in employee benefit expense. 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 payments, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits

Pension schemes and other retirement benefits

The Group's subsidiaries incorporated in Hong Kong operate defined contribution Mandatory Provident Fund retirement benefit schemes (the "**MPF Schemes**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Schemes. 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 Schemes. The assets of the MPF Schemes 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 Schemes.

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.

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 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 dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional 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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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 measured. The gain or loss arising on retranslation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is 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 prevailing at the end of the reporting period and their statements of profit or loss 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 their accompanying disclosures, and the disclosure of contingent liabilities. 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 at acquisition 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 2015 was HK$201,610,000 (2014: HK$145,309,000). Further details are included in Note 14 to the financial statements.

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

Estimation uncertainty *(Continued)*

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 2015 was HK$201,610,000 (2014: HK$145,309,000). 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 2015 was HK$14,566,000 (2014: HK$8,515,000). The amount of unrecognised tax losses at 31 March 2015 was HK$102,799,000 (2014: HK$127,901,000). Further details are included in Note 17 to the financial statements.

Provision for inventories

Management reviews the aging analysis of the Group's inventories 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 2015 was HK$251,346,000 (2014: HK$268,427,000). Further details of which are included in Note 18 to the financial statements.

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 2015 was HK$56,332,000 (2014: HK$41,482,000). Further details are included in Note 19 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 this measurement.

Segment assets exclude deferred tax assets, tax recoverable and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, an interest-bearing bank borrowing, tax payable and other unallocated liabilities 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 2015					
Segment revenue:					
Sales to external customers	1,129,196	132,529	313,447	16,645	1,591,817
Intersegment sales	9,679	7,109	133,387	1,028	151,203
	1,138,875	139,638	446,834	17,673	1,743,020
Reconciliation:					
Elimination of intersegment sales					(151,203)
Revenue					1,591,817
Segment results:	185,814	2,533	15,451	4,342	208,140
Reconciliation:					
Interest income					382
Finance costs					(347)
Unallocated expenses					(58,746)
Profit before tax					149,429
Segment assets:	341,983	156,171	152,571	4,999	655,724
Reconciliation:					
Deferred tax assets					27,788
Tax recoverable					5,803
Unallocated assets					236,591
Total assets					925,906
Segment liabilities:	71,511	27,732	9,723	803	109,769
Reconciliation:					
Deferred tax liabilities					6,804
Interest-bearing bank borrowing					19,678
Tax payable					9,295
Unallocated liabilities					11,405
Total liabilities					156,951
Other segment information:					
Capital expenditure*	23,846	6,783	16,005	23	46,657
Unallocated capital expenditure*					58,099
					104,756
Depreciation	21,204	5,334	9,021	–	35,559
Amortisation of intangible assets	70	33	41	153	297
Unallocated depreciation					5,753
					41,609
Loss on disposal of items of property, plant and equipment, net	2,079	286	142	–	2,507
Unallocated loss on disposal of items of property, plant and equipment, net					224
					2,731
Write-off of rental deposits	–	1	–	–	1
Provision for doubtful debts and write-off of bad debts	552	–	–	324	876
Impairment of items of property, plant and equipment	3,303	680	–	–	3,983

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

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 2014					
Segment revenue:					
Sales to external customers	1,001,829	135,096	270,858	19,330	1,427,113
Intersegment sales	6,846	4,947	130,802	2,174	144,769
	1,008,675	140,043	401,660	21,504	1,571,882
Reconciliation:					
Elimination of intersegment sales					(144,769)
Revenue					1,427,113
Segment results:	191,015	(4,335)	7,629	4,834	199,143
Reconciliation:					
Interest income					346
Finance costs					(789)
Unallocated expenses					(49,615)
Profit before tax					149,085
Segment assets:	379,673	119,227	118,593	6,721	624,214
Reconciliation:					
Deferred tax assets					23,886
Tax recoverable					4,967
Unallocated assets					199,470
Total assets					852,537
Segment liabilities:	95,687	25,213	11,396	697	132,993
Reconciliation:					
Deferred tax liabilities					6,288
Tax payable					9,174
Unallocated liabilities					12,703
Total liabilities					161,158
Other segment information:					
Capital expenditure*	40,702	3,973	10,090	65	54,830
Unallocated capital expenditure*					2,303
					57,133
Depreciation	17,743	5,430	6,252	–	29,425
Amortisation of intangible assets	65	35	42	166	308
Unallocated depreciation					5,957
					35,690
Loss on disposal of items of property, plant and equipment, net	1,507	334	283	–	2,124
Unallocated loss on disposal of items of property, plant and equipment, net					557
					2,681
Write-off of rental deposits	–	1,317	–	–	1,317
Provision for doubtful debts and write-off of bad debts	–	15	–	8	23
Impairment of items of property, plant and equipment	427	–	–	–	427

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

Non-current assets

	Group	
	2015	2014
	HK$'000	HK$'000
Hong Kong and Macau	**117,001**	108,815
Mainland China	**14,573**	16,077
Taiwan	**19,559**	14,500
Elsewhere	**551**	678
	151,684	140,070

The non-current asset information above is based on the locations of the assets and excludes 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 amounted to 10% or more of the Group's revenue during the year, no major customer information is presented.

5. REVENUE, OTHER INCOME AND GAIN

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 gain is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Revenue		
Sale of garment products and accessories	**1,591,817**	1,427,113
Other income		
Bank interest income	**382**	346
Forfeiture of franchise deposits	**3,633**	–
Others	**1,989**	1,878
	6,004	2,224
Gain		
Foreign exchange differences, net	**4,409**	–
	10,413	2,224

6. PROFIT BEFORE TAX

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

	Notes	Group 2015 HK$'000	Group 2014 HK$'000
Cost of inventories sold		**639,748**	526,589
Depreciation	14	**41,312**	35,382
Write-back of provision for slow-moving inventories, net, included in cost of sales		**(16,698)**	(9,059)
Rental expenses under operating leases in respect of land and buildings:			
Minimum lease payments		**252,737**	235,398
Contingent rents		**91,525**	87,646
		344,262	323,044
Rental expenses under operating leases in respect of equipment:			
Minimum lease payments		**613**	617
Contingent rents		**53**	15
		666	632
Auditors' remuneration		**2,226**	2,119
Employee benefit expenses (including executive directors' remuneration (Note 8)):			
Wages, salaries and other benefits		**228,722**	209,501
Equity-settled share option expense		**326**	1,047
Pension scheme contributions*		**10,920**	10,714
		239,968	221,262
Loss on disposal of items of property, plant and equipment, net		**2,731**	2,681
Amortisation of intangible assets	15	**297**	308
Write-off of rental deposits		**1**	1,317
Disposal of trademarks	15	**32**	58
Provision for doubtful debts	19	**510**	7
Write-off of bad debts		**366**	16
Foreign exchange differences, net		**–**	20
Impairment of items of property, plant and equipment	14	**3,983**	427

* 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 (2014: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2015 HK$'000	Group 2014 HK$'000
Interest on bank loans	**347**	789

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group 2015 HK$'000	Group 2014 HK$'000
Fees	**417**	396
Other emoluments:		
Salaries, allowances and benefits in kind	**3,917**	3,788
Performance-related bonuses*	**3,169**	2,530
Equity-settled share option expense	**66**	177
Pension scheme contributions	**51**	45
	7,203	6,540
	7,620	6,936

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

On 13 January 2012, 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 26 to the financial statements. The fair value of these 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:

	2015 HK$'000	2014 HK$'000
Mr. Chu To Ki	**139**	132
Mr. Mak Wing Kit	**139**	132
Dr. Wong Yun Kuen	**139**	132
	417	396

There were no other emoluments payable to the independent non-executive directors during the year (2014: 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
2015						
Mr. Wong Yui Lam	**–**	**1,365**	**1,365**	**–**	**17**	**2,747**
Madam Lee Yuk Ming	**–**	**1,356**	**1,252**	**40**	**17**	**2,665**
Mr. Yeung Yat Hang	**–**	**1,196**	**552**	**26**	**17**	**1,791**
	–	**3,917**	**3,169**	**66**	**51**	**7,203**
2014						
Mr. Wong Yui Lam	–	1,300	1,000	–	15	2,315
Madam Lee Yuk Ming	–	1,318	1,080	102	15	2,515
Mr. Yeung Yat Hang	–	1,170	450	75	15	1,710
	–	3,788	2,530	177	45	6,540

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2014: three) executive directors, details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining two (2014: two) non-director, highest paid employees for the year are as follows:

	Group	
	2015 HK$'000	2014 HK$'000
Salaries, allowances and benefits in kind	**1,958**	2,228
Performance-related bonuses	**466**	600
Equity-settled share option expense	**60**	180
Pension scheme contributions	**35**	30
	2,519	3,038

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	
	2015	2014
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**–**	1
	2	2

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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 five (2014: five) subsidiaries located in Mainland China. All of these subsidiaries were subject to the applicable CIT rate of 25% (2014: 25%) during the year ended 31 March 2015.

For the subsidiaries in Macau, one of them (2014: 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.

A Taiwan subsidiary was subject to the applicable tax rate of 17% (2014: 17%) during the year ended 31 March 2015.

	Group	
	2015	2014
	HK$'000	HK$'000
Current tax – Hong Kong		
Provision for the year	**18,187**	19,903
Underprovision/(overprovision) in prior years	**52**	(1,102)
Current tax – PRC		
Provision for the year	**428**	2,124
Underprovision in prior years	**881**	–
Current tax – Elsewhere		
Provision for the year	**4,012**	3,434
Underprovision/(overprovision) in prior years	**(22)**	447
Deferred tax credit (Note 17)	**(3,476)**	(840)
Total tax charge for the year	**20,062**	23,966

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

2015

	Hong Kong		PRC		Elsewhere		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	112,397		3,346		33,686		149,429	
Tax at the statutory tax rate	18,546	16.5	837	25.0	3,942	11.7	23,325	15.6
Lower tax rate for specific provinces or enacted by local authority	–	–	–	–	(80)	(0.2)	(80)	(0.1)
Adjustments in respect of current tax of previous periods	52	–	881	26.3	(22)	(0.1)	911	0.6
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	–	–	135	4.0	–	–	135	0.1
Income not subject to tax	(450)	(0.4)	–	–	(514)	(1.5)	(964)	(0.7)
Expenses not deductible for tax	582	0.6	60	1.8	507	1.4	1,149	0.8
Temporary differences not recognised	2,298	2.0	568	17.0	(12)	–	2,854	2.0
Tax losses not recognised	37	–	2,700	80.7	169	0.5	2,906	1.9
Tax losses utilised	(4,684)	(4.1)	(5,490)	(164.0)	–	–	(10,174)	(6.8)
	16,381	14.6	(309)	(9.2)	3,990	11.8	20,062	13.4

2014

	Hong Kong		PRC		Elsewhere		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	112,930		17,575		18,580		149,085	
Tax at the statutory tax rate	18,633	16.5	4,394	25.0	1,123	6.0	24,150	16.2
Lower tax rate for specific provinces or enacted by local authority	–	–	–	–	(32)	(0.2)	(32)	–
Adjustments in respect of current tax of previous periods	(1,102)	(1.0)	–	–	447	2.4	(655)	(0.4)
Adjustments in respect of deferred tax of previous periods	1,349	1.2	–	–	–	–	1,349	0.9
Income not subject to tax	(330)	(0.3)	–	–	(1,392)	(7.4)	(1,722)	(1.1)
Expenses not deductible for tax	394	0.4	15	0.1	859	4.6	1,268	0.9
Temporary differences not recognised	100	0.1	(645)	(3.7)	23	0.1	(522)	(0.4)
Tax losses not recognised	722	0.6	6,842	39.0	2,787	15.0	10,351	6.9
Tax losses utilised	(3)	–	(10,218)	(58.2)	–	–	(10,221)	(6.9)
	19,763	17.5	388	2.2	3,815	20.5	23,966	16.1

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 March 2015 includes a profit of HK$53,777,000 (2014: HK$62,780,000) which has been dealt with in the financial statements of the Company (Note 27(b)). The profit included dividend income of HK$54,000,000 (2014: HK$63,000,000) received from one of its subsidiaries which was eliminated in the consolidation level.

12. DIVIDENDS

	2015 **HK$'000**	2014 HK$'000
Interim – HK1.5 cents (2014: HK1.5 cents) per ordinary share	**5,495**	5,437
Proposed final – HK13.5 cents (2014: HK14.0 cents) per ordinary share	**49,573**	51,073
	55,068	56,510

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$129,367,000 (2014: HK$125,119,000) and the weighted average number of ordinary shares of 365,386,255 (2014: 361,216,731) in issue during the year.

The calculation of the diluted earnings per share amount was 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 was the number of ordinary shares in issue during that 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:

	2015 **HK$'000**	2014 HK$'000
Earnings		
Profit attributable to equity holders of the parent, used in the basic earnings per share calculation	**129,367**	125,119

	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**365,386,255**	361,216,731
Effect of dilution – weighted average number of ordinary shares:		
Share options	**498,279**	321,270
	365,884,534	361,538,001

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 2015							
At 31 March 2014 and 1 April 2014:							
Cost	85,652	132,589	4,072	19,120	39,169	3,998	284,600
Accumulated depreciation and impairment	(7,895)	(87,566)	(3,273)	(14,646)	(23,318)	(2,593)	(139,291)
Net carrying amount	77,757	45,023	799	4,474	15,851	1,405	145,309
At 1 April 2014, net of accumulated depreciation and impairment	77,757	45,023	799	4,474	15,851	1,405	145,309
Additions	56,711	38,871	72	1,923	7,122	–	104,699
Depreciation provided during the year	(1,968)	(30,139)	(426)	(2,556)	(5,696)	(527)	(41,312)
Disposals	–	(1,353)	(271)	(65)	(1,188)	(54)	(2,931)
Impairment	–	(3,983)	–	–	–	–	(3,983)
Exchange realignment	–	(130)	(1)	–	(41)	–	(172)
At 31 March 2015, net of accumulated depreciation and impairment	132,500	48,289	173	3,776	16,048	824	201,610
At 31 March 2015:							
Cost	142,363	150,720	770	16,448	39,399	3,723	353,423
Accumulated depreciation and impairment	(9,863)	(102,431)	(597)	(12,672)	(23,351)	(2,899)	(151,813)
Net carrying amount	132,500	48,289	173	3,776	16,048	824	201,610

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

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 2014							
At 1 April 2013:							
Cost	85,652	114,450	6,050	17,174	35,733	2,916	261,975
Accumulated depreciation and impairment	(6,182)	(89,128)	(3,897)	(12,503)	(20,948)	(2,349)	(135,007)
Net carrying amount	79,470	25,322	2,153	4,671	14,785	567	126,968
At 1 April 2013, net of accumulated depreciation and impairment	79,470	25,322	2,153	4,671	14,785	567	126,968
Additions	–	43,926	140	2,684	9,026	1,169	56,945
Depreciation provided during the year	(1,713)	(22,927)	(1,012)	(2,847)	(6,595)	(288)	(35,382)
Disposals	–	(859)	(487)	(36)	(1,345)	(44)	(2,771)
Impairment	–	(427)	–	–	–	–	(427)
Exchange realignment	–	(12)	5	2	(20)	1	(24)
At 31 March 2014, net of accumulated depreciation and impairment	77,757	45,023	799	4,474	15,851	1,405	145,309
At 31 March 2014:							
Cost	85,652	132,589	4,072	19,120	39,169	3,998	284,600
Accumulated depreciation and impairment	(7,895)	(87,566)	(3,273)	(14,646)	(23,318)	(2,593)	(139,291)
Net carrying amount	77,757	45,023	799	4,474	15,851	1,405	145,309

The Group's land and buildings included in property, plant and equipment with net carrying amounts of HK$129,445,000 and HK$3,055,000 (2014: HK$74,629,000 and HK$3,128,000) are situated in Hong Kong and Macau, respectively, and are held under medium term leases.

At 31 March 2015, included in the Group's land and buildings held in Hong Kong are land and buildings with an aggregate net book value of approximately HK$119,806,000 (2014: HK$64,752,000) which were pledged to secure general banking facilities granted to the Group (Note 24(a)(i)).

15. INTANGIBLE ASSETS

Trademarks

	Group	
	2015	2014
	HK$'000	HK$'000
At 1 April 2013 and 1 April 2014:		
Cost	**4,237**	4,301
Accumulated amortisation and impairment	**(3,034)**	(2,920)
Net carrying amount	**1,203**	1,381
Cost at beginning of year, net of accumulated amortisation and impairment	**1,203**	1,381
Additions	**57**	188
Amortisation provided during the year (Note 6)	**(297)**	(308)
Disposal of trademarks (Note 6)	**(32)**	(58)
At 31 March 2014 and 31 March 2015	**931**	1,203
At 31 March 2014 and 31 March 2015:		
Cost	**4,027**	4,237
Accumulated amortisation and impairment	**(3,096)**	(3,034)
Net carrying amount	**931**	1,203

16. INTERESTS IN SUBSIDIARIES

	Company	
	2015	2014
	HK$'000	HK$'000
Unlisted shares, at cost	**143,631**	143,631
Capital contribution in respect of employee share-based compensation	**13,071**	12,745
	156,702	156,376

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 business	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
Bauhaus Deluxe Limited	Hong Kong	Ordinary HK$1,000,000	–	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
Eighty Twenty Products 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$8,000,000	–	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 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. 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 2013	3,800	28	12,115	(7,200)	9,744	18,487
Deferred tax credited/(charged) to profit or loss during the year*	(300)	8,487	(4,275)	6,980	(5,510)	5,382
Exchange realignment	–	–	–	–	17	17
At 31 March 2014 and 1 April 2014	3,500	8,515	7,840	(220)	4,251	23,886
Deferred tax credited/(charged) to profit or loss during the year*	(86)	6,051	(2,140)	220	(53)	3,992
Exchange realignment	–	–	–	–	(90)	(90)
At 31 March 2015	3,414	14,566	5,700	–	4,108	27,788

Deferred tax liabilities

	Accelerated tax depreciation HK$'000	Provision for unrealised profit on inventories HK$'000	Withholding taxes HK$'000	Other provisions HK$'000	Total HK$'000
At 1 April 2013	1,750	–	–	–	1,750
Deferred tax charged/(credited) to profit or loss during the year*	(340)	(1,118)	6,280	(280)	4,542
Exchange realignment	–	–	–	(4)	(4)
At 31 March 2014 and 1 April 2014	1,410	(1,118)	6,280	(284)	6,288
Deferred tax charged/(credited) to profit or loss during the year*	(433)	748	(20)	221	516
At 31 March 2015	977	(370)	6,260	(63)	6,804

* The total deferred tax credited to profit or loss during the year amounted to HK$3,476,000 (2014: HK$840,000) (Note 10).

17. DEFERRED TAX *(Continued)*

At the end of the reporting period, the Group had tax losses arising in Hong Kong of HK$25,333,000 (2014: HK$28,031,000) 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$95,287,000 (2014: HK$96,369,000) that will expire in one to five years and losses arising in Taiwan of HK$47,861,000 (2014: HK$37,591,000) that will expire in eight to ten years for offsetting against future taxable profits, respectively. Deferred tax assets have been recognised for tax losses arising in Hong Kong and Mainland China of approximately HK$22,225,000 (2014: HK$90,000) and HK$43,457,000 (2014: HK$34,000,000), respectively. Deferred tax assets have not been recognised in respect of the remaining tax losses, including the tax losses arose in Taiwan, 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 2015, 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$73,396,000 (2014: HK$73,866,000) 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.

18. INVENTORIES

	Group	
	2015	2014
	HK$'000	HK$'000
Raw materials	**2,083**	4,092
Work in progress	**–**	1,490
Finished goods	**249,263**	262,845
	251,346	268,427

19. TRADE RECEIVABLES

	Group 2015 HK$'000	2014 HK$'000
Trade receivables	**56,849**	41,489
Impairment	**(517)**	(7)
	56,332	41,482

Retail sales (both online and offline) 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 2015 HK$'000	2014 HK$'000
Within 90 days	**56,074**	40,269
91 to 180 days	**115**	155
181 to 365 days	**88**	851
Over 365 days	**55**	207
	56,332	41,482

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

	Group 2015 HK$'000	2014 HK$'000
At the beginning of the reporting period	**7**	1
Amount written off as uncollectable	**–**	(1)
Provision for doubtful debts (Note 6)	**510**	7
At the end of the reporting period	**517**	7

19. TRADE RECEIVABLES *(Continued)*

Included in the provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$517,000 (2014: HK$7,000) with a carrying amount of HK$517,000 (2014: HK$7,000). The individually impaired trade receivable relates to a customer that is in financial difficulties or in liquidation and is not expected to be recovered.

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

	Group	
	2015	2014
	HK$'000	HK$'000
Neither past due nor impaired	**55,609**	34,370
Less than 3 months past due	**465**	6,288
3 to less than 12 months past due	**258**	824
	56,332	41,482

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.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**25,879**	15,759	**144**	144
Deposits and other receivables	**9,009**	11,010	**–**	–
	34,888	26,769	**144**	144

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

21. CASH AND BANK BALANCES

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**256,818**	260,221	**20,934**	4,468

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to approximately HK$79,727,000 (2014: HK$57,841,000). 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. The bank balances are deposited with creditworthy banks with no recent history of default.

22. 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	
	2015	2014
	HK$'000	HK$'000
Within 90 days	**33,821**	36,887
91 to 180 days	**665**	1,656
181 to 365 days	**890**	173
Over 365 days	**22**	38
	35,398	38,754

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

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**59,365**	81,218	**28**	23
Accruals	**26,411**	25,724	**–**	–
	85,776	106,942	**28**	23

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

24. INTEREST-BEARING BANK BORROWING

Group	2015 Effective interest rate (%)	2015 Maturity	2015 HK$'000	2014 Effective interest rate (%)	2014 Maturity	2014 HK$'000
Current – secured						
Bank loan repayable on demand	**2-3**	**2018**	**19,678**	–	–	–

	2015 HK$'000	2014 HK$'000
Analysed into bank loan repayable:*		
Within one year or on demand	**6,933**	–
In the second year	**6,933**	–
In the third to fifth years, inclusive	**5,812**	–
	19,678	–

* 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 Company did not have any interest-bearing bank borrowing as at 31 March 2015 and 31 March 2014.

Notes:

(a) The Group's general banking facilities and loans are secured by:

(i) the Group's buildings situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of approximately HK$119,806,000 (2014: HK$64,752,000) (Note 14); and

(ii) corporate guarantees given by the Company and a subsidiary of the Group of HK$100,240,000 and HK$50,000,000, respectively (2014: HK$100,240,000 and HK$30,000,000).

(b) All borrowings are in Hong Kong dollars.

25. SHARE CAPITAL

Shares

	Company 2015 HK$'000	Company 2014 HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
367,210,000 (2014: 364,810,000) ordinary shares of HK$0.1 each	**36,721**	36,481

During the year, the movement in share capital was that the subscription rights attaching to 2,400,000 (2014: 5,360,000) share options were exercised at the subscription price of HK$1.83 (2014: HK$1.83) per share (Note 26), resulting in the issue of 2,400,000 (2014: 5,360,000) shares of HK$0.1 (2014: HK$0.1) each for a total cash consideration, before expenses of HK$4,392,000 (2014: HK$9,809,000), which resulted in additions of issued capital and share premium of HK$240,000 (2014: HK$536,000) and HK$4,152,000 (2014: HK$9,273,000), respectively (Note 27(b)). An amount of HK$1,215,000 (2014: HK$2,670,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options.

Details of the Company's share option scheme and the share options issued under the scheme are included in Note 26 to the financial statements.

26. 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.

On 13 January 2012, the board of directors 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.

Each share option shall entitle the holder thereof to subscribe for one share upon exercise of the share option at an exercise price of HK$1.83 (2014: HK$1.83) per share.

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

	2015		2014	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 April 2013 and 1 April 2014	**1.830**	**4,140**	1.830	10,170
Exercised during the year	**1.830**	**(2,400)**	1.830	(5,360)
Forfeited during the year	**1.830**	**(240)**	1.830	(670)
	1.830	**1,500**	1.830	4,140

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.83 (2014: HK$1.83) per share. The Group recognised a share option expense of HK$326,000 (2014: HK$1,047,000) during the year ended 31 March 2015.

26. SHARE OPTION SCHEME *(Continued)*

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

2015

Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
150	**1.830**	**12 Jan 13 to 12 Jan 17**
620	**1.830**	**12 Jan 14 to 12 Jan 17**
730	**1.830**	**12 Jan 15 to 12 Jan 17**
1,500		

2014

Number of options '000	Exercise price* HK$ per share	Exercise period
210	1.830	12 Jan 13 to 12 Jan 17
770	1.830	12 Jan 14 to 12 Jan 17
3,160	1.830	12 Jan 15 to 12 Jan 17
4,140		

* 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.

The fair value of equity-settled share options granted in 2012 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:

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

The 2,400,000 share options exercised during the year resulted in the issue of 2,400,000 ordinary shares of the Company and new share capital of HK$240,000 and share premium of HK$5,367,000 (before issue expenses), as further detailed in Note 25 to the financial statements.

At the end of the reporting period, the Company had 1,500,000 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 1,500,000 additional ordinary shares of the Company and additional share capital of HK$150,000 and share premium of HK$2,595,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 1,330,000 share options outstanding under the Scheme, which represented approximately 0.4% of the Company's shares in issue as at that date.

27. 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 38 of this Annual Report.

The Group's contributed surplus as at 31 March 2015 and 2014 comprised the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the shares of the Company issued in exchange therefor after adjusting for (i) the waiver of an amount due to a company owned by the Group's controlling shareholder; (ii) a transfer from the share premium account; and (iii) a special interim dividend, in the prior years.

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 has been transferred to the reserve funds which are restricted to use.

(b) Company

	Notes	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 2013		87,875	136,518	11,698	36,305	104,254	376,650
Issue of shares by exercise of share options	25	11,943	–	(2,670)	–	–	9,273
Final 2013 dividend declared		–	–	–	(36,305)	–	(36,305)
Total comprehensive income for the year		–	–	–	–	62,780	62,780
Equity-settled share option arrangements	26	–	–	1,047	–	–	1,047
Interim 2014 dividend	12	–	–	–	–	(5,437)	(5,437)
Proposed final 2014 dividend	12	–	–	–	51,073	(51,073)	–
At 31 March 2014 and 1 April 2014		99,818*	136,518*	10,075*	51,073	110,524*	408,008
Issue of shares by exercise of share options	25, 26	5,367	–	(1,215)	–	–	4,152
Final 2014 dividend declared		–	–	–	(51,073)	–	(51,073)
Total comprehensive income for the year		–	–	–	–	53,777	53,777
Equity-settled share option arrangements	26	–	–	326	–	–	326
Interim 2015 dividend	12	–	–	–	–	(5,495)	(5,495)
Proposed final 2015 dividend	12	–	–	–	49,573	(49,573)	–
At 31 March 2015		105,185*	136,518*	9,186*	49,573	109,233*	409,695

* These reserve accounts comprise the reserves of HK$360,122,000 (2014: HK$356,935,000) 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 subsidiaries acquired pursuant to the group reorganisation over the nominal value of the Company's shares issued in exchange therefor; and net-off with a special interim dividend distributed in a prior year.

*** The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy and share-based payments in Note 26 to the financial statements. The amounts will be transferred to the share premium account when the related options are exercised.

28. CONTINGENT LIABILITIES

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

	Group	
	2015	2014
	HK$'000	HK$'000
Bank guarantees given in lieu of utility and property rental deposits	**5,226**	7,594

As at 31 March 2015, the general banking facilities granted to certain subsidiaries subject to guarantees given to banks by the Company amounting to HK$100,240,000 (2014: HK$100,240,000) were utilised to the extent of HK$29,885,000 (2014: HK$15,462,000).

29. PLEDGE OF ASSETS

Details of the Group's bank loan which is secured by the assets of the Group are included in Note 24 to the financial statements.

30. 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 seven years.

At 31 March 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015	2014
	HK$'000	HK$'000
Within one year	**229,572**	228,000
In the second to fifth years, inclusive	**231,044**	255,382
Over five years	**15,642**	7,239
	476,258	490,621

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 2015 (2014: Nil).

31. COMMITMENTS

The Group and the Company had no material capital commitments as at 31 March 2015 (2014: Nil).

32. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had the following transactions with related companies controlled by a close family member of a director of the Group:

	Notes	**2015 HK$'000**	2014 HK$'000
Computer system maintenance charges	(i)	**81**	51
Purchases of computer equipment	(ii)	**–**	57

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) In the prior year, the purchases of computer equipment from related companies were made at prices and on conditions with reference to those offered by major suppliers of the Group.

(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.

33. 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:

Financial assets

	Loans and receivables			
	Group		Company	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Financial assets included in rental, utility and other non-current deposits	**81,778**	77,575	**–**	–
Trade receivables	**56,332**	41,482	**–**	–
Financial assets included in prepayments, deposits and other receivables (Note 20)	**9,009**	11,010	**–**	–
Due from subsidiaries	**–**	–	**268,664**	283,524
Cash and bank balances	**256,818**	260,221	**20,934**	4,468
	403,937	390,288	**289,598**	287,992

Financial liabilities

	Financial liabilities at amortised cost			
	Group		Company	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Trade payables	**35,398**	38,754	**–**	–
Financial liabilities included in other payables and accruals (Note 23)	**59,365**	81,218	**28**	23
Interest-bearing bank borrowing	**19,678**	–	**–**	–
	114,441	119,972	**28**	23

34. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade receivables, trade payables, an interest-bearing bank borrowing, financial assets included in prepayments, deposits and other receivables, and financial liabilities included in other payables and accruals approximate to their carrying amounts.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash at banks and an interest-bearing bank borrowing. 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.

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 borrowing 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 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 borrowing) and the Group's and the Company's equity.

		Group			**Company**
	Increase/ (decrease) %	**Increase/ (decrease) in profit before tax HK$'000**	**Increase/ (decrease) in equity* HK$'000**	**Increase/ (decrease) %**	**Increase/ (decrease) in equity* HK$'000**
2015					
Hong Kong dollar	**1**	**(197)**	**–**	**1**	**–**
Hong Kong dollar	**(1)**	**197**	**–**	**(1)**	**–**

* Excluding retained profits

As at 31 March 2014, there was no major exposure to the risk of changes in market interest rate.

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

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. 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.

	%	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2015			
If Hong Kong dollar weakens against New Taiwan Dollar ("**NT$**")	**(1)**	**1,567**	**–**
If Hong Kong dollar strengthens against NT$	**1**	**(1,567)**	**–**
2014			
If Hong Kong dollar weakens against NT$	(1)	1,291	–
If Hong Kong dollar strengthens against NT$	1	(1,291)	–

* 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 bank balances, 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 19 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

		2015		
	On demand HK$'000	**Less than 3 months HK$'000**	**3 to less than 12 months HK$'000**	**Total HK$'000**
Interest-bearing bank borrowing	**19,678**	**–**	**–**	**19,678**
Trade payables	**223**	**35,084**	**91**	**35,398**
Other payables	**18,923**	**36,750**	**3,692**	**59,365**
Guarantees given to banks in connection with facilities granted to subsidiaries	**5,226**	**–**	**–**	**5,226**
	44,050	**71,834**	**3,783**	**119,667**

		2014		
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Total HK$'000
Trade payables	5,304	33,240	210	38,754
Other payables	68,761	12,396	61	81,218
Guarantees given to banks in connection with facilities granted to subsidiaries	7,594	–	–	7,594
	81,659	45,636	271	127,566

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

Liquidity risk *(Continued)*

Company

	2015 On demand HK$'000	2014 On demand HK$'000
Other payables	**28**	23

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 2015 and 31 March 2014.

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:

	2015 HK$'000	2014 HK$'000
Total current assets	**605,187**	601,866
Total current liabilities	**150,147**	154,870
Current ratio	**4.0**	3.9

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 June 2015.

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 below.

	Year ended 31 March				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	**1,591,817**	1,427,113	1,293,677	1,159,872	1,011,704
Cost of sales	**(623,050)**	(517,530)	(464,748)	(355,355)	(303,514)
GROSS PROFIT	**968,767**	909,583	828,929	804,517	708,190
Other income and gains	**10,413**	2,224	14,995	4,329	4,518
Compensation received for early termination of tenancies	**–**	–	21,700	–	–
Selling and distribution expenses	**(710,007)**	(650,137)	(607,942)	(574,936)	(458,484)
Administrative expenses	**(110,791)**	(106,639)	(115,463)	(120,063)	(99,431)
Other expenses	**(8,606)**	(5,157)	(11,438)	(8,777)	(5,994)
Finance costs	**(347)**	(789)	(1,400)	(1,277)	–
PROFIT BEFORE TAX	**149,429**	149,085	129,381	103,793	148,799
Income tax expense	**(20,062)**	(23,966)	(30,126)	(27,906)	(33,272)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**129,367**	125,119	99,255	75,887	115,527
DIVIDENDS	**55,068**	56,510	39,899	30,553	63,623

	As at 31 March				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
TOTAL ASSETS	**925,906**	852,537	759,140	705,469	622,896
TOTAL LIABILITIES	**(156,951)**	(161,158)	(162,773)	(188,488)	(127,958)
	768,955	691,379	596,367	516,981	494,938