

# **bauhaus**

## **interim report 2016**

**BAUHAUS INTERNATIONAL (HOLDINGS) LIMITED**

(incorporated in the Cayman Islands with limited liability)

(Stock Code:483)

## Contents

- 02 Financial Highlights
- 04 Corporate Information
- 05 Information for Investors
- 06 Condensed Consolidated Statement of Comprehensive Income
- 07 Condensed Consolidated Statement of Financial Position
- 08 Condensed Consolidated Statement of Changes in Equity
- 09 Condensed Consolidated Statement of Cash Flows
- 10 Notes to the Condensed Consolidated Financial Statements
- 25 Management Discussion and Analysis
- 34 Other Information



Key Financial Ratios	Notes	Period		Change +/-	
		4-9/2016	4-9/2015		
<b>Performance</b>					
Gross Margin	(%)	1	<b>56.5</b>	60.5	-4.0% pts.
Net Profit Margin	(%)	2	<b>-12.0</b>	-4.5	-7.5% pts.
Return on Average Equity (Annualised)	(%)	3	<b>-16.5</b>	-7.3	-9.2% pts.
Return on Average Assets (Annualised)	(%)	4	<b>-13.8</b>	-5.7	-8.1% pts.
<b>Operating</b>					
Inventory Turnover Days (Annualised)		5	<b>238</b>	260	-22 days
Debtors' Turnover Days (Annualised)		6	<b>17</b>	14	+3 days
Creditors' Turnover Days (Annualised)		7	<b>26</b>	30	-4 days
<b>Liquidity and Gearing</b>					
Current Ratio		8	<b>3.7</b>	2.6	+42.3%
Quick Ratio		9	<b>1.6</b>	0.9	+77.8%
Gearing Ratio	(%)	10	<b>1.1</b>	4.9	-3.8% pts.
<b>Per Share Data</b>					
Book Value Per Share	(HK cents)	11	<b>185.8</b>	188.8	-1.6%
Basic Loss Per Share	(HK cents)	12	<b>16.3</b>	7.2	+126.4%
Diluted Loss Per Share	(HK cents)	13	<b>16.3</b>	7.2	+126.4%

Notes:

- 1 "Gross Margin" is based on gross profit divided by turnover for the period.
- 2 "Net Profit Margin" is calculated as the loss for the period attributable to equity holders of the parent divided by turnover for the period.
- 3 "Return on Average Equity" represents the annualised loss for the period 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 annualised loss for the period 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 period.
- 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 period.
- 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 period.
- 8 "Current Ratio" represents current assets divided by current liabilities.
- 9 "Quick Ratio" represents current assets less inventories then divided by current liabilities.
- 10 "Gearing Ratio" represents total interest-bearing bank borrowings divided by total assets.
- 11 "Book Value Per Share" represents shareholders' equity divided by the total number of issued shares at the end of reporting period of 367,380,000 (2015: 367,380,000).
- 12 "Basic Loss Per Share" is calculated as the loss for the period attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period under review of 367,380,000 (2015: 367,367,930).
- 13 "Diluted Loss Per Share" is calculated as the loss for the period attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period under review and all dilutive potential ordinary shares of 367,380,000 (2015: 367,864,635) in aggregate.

### Name of the Company

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

### Directors of the Company (the "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  
Mr. Mak Siu Yan  
(*appointed effective from 4 July 2016*)

### 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  
Mr. Mak Siu Yan  
(*appointed effective from 4 July 2016*)

### Remuneration Committee

Mr. Mak Wing Kit (*Chairman*)  
Mr. Chu To Ki  
Dr. Wong Yun Kuen  
Mr. Mak Siu Yan  
(*appointed effective from 4 July 2016*)

### Nomination Committee

Dr. Wong Yun Kuen (*Chairman*)  
Mr. Chu To Ki  
Mr. Mak Wing Kit  
Mr. Mak Siu Yan  
(*appointed effective from 4 July 2016*)

### 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

P.O. Box 10008,  
Willow House,  
Cricket Square,  
Grand Cayman KY1-1001,  
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

Tricor Services (Cayman Islands) Limited  
P.O. Box 10008,  
Willow House,  
Cricket Square,  
Grand Cayman KY1-1001,  
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 2401-2, 24/F, Admiralty Centre I,  
18 Harcourt Road, Hong Kong

## Listing information

Listing exchange	:	Main Board of The Stock Exchange of Hong Kong Limited (the “ <b>Stock Exchange</b> ”)
Listing date	:	12 May 2005
Stock code	:	483

## Share information

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

		<b>As at 30 September 2016</b>	As at 31 March 2016
		<b>No. of shares</b>	No. of shares
<b>Shares</b>			
Authorised shares	:	<b>2,000,000,000</b>	2,000,000,000
Issued shares	:	<b>367,380,000</b>	367,380,000

## Key dates

2015/16 annual results announcement	:	24 June 2016
Closure of Register of Members for 2015/16 annual general meeting	:	24 August 2016 to 26 August 2016 <i>(both days inclusive)</i>
2015/16 annual general meeting	:	26 August 2016
Closure of Register of Members for 2015/16 proposed final dividend	:	7 September 2016 to 9 September 2016 <i>(both days inclusive)</i>
Payment of 2015/16 final dividend	:	23 September 2016
2016/17 interim results announcement	:	25 November 2016
<b>Official website</b>	:	<a href="http://www.bauhaus.com.hk">www.bauhaus.com.hk</a>
<b>Financial year end</b>	:	31 March
<b>Interim period end</b>	:	30 September

## 06 Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2016

	Notes	Six months ended 30 September 2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
REVENUE	4	501,385	585,357
Cost of sales		(218,225)	(231,429)
GROSS PROFIT		283,160	353,928
Other income and gain	4	3,777	1,320
Selling and distribution expenses		(285,300)	(321,670)
Administrative expenses		(52,700)	(56,317)
Other expenses	6	(5,182)	(2,280)
Finance cost	5	(128)	(264)
LOSS BEFORE TAX	6	(56,373)	(25,283)
Income tax expense	7	(3,649)	(1,325)
<b>LOSS FOR THE PERIOD</b>			
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		(60,022)	(26,608)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Currency translation differences		(4,698)	699
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>			
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		(64,720)	(25,909)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic		HK16.3 cents	HK7.2 cents
Diluted		HK16.3 cents	HK7.2 cents

## 07 Condensed Consolidated Statement of Financial Position

As at 30 September 2016

	Notes	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>187,622</b>	200,416
Investment property		<b>1,358</b>	–
Intangible assets		<b>768</b>	820
Rental, utility and other non-current deposits		<b>86,118</b>	78,232
Deferred tax assets		<b>25,604</b>	27,988
<b>Total non-current assets</b>		<b>301,470</b>	307,456
<b>CURRENT ASSETS</b>			
Inventories		<b>299,170</b>	268,110
Trade receivables	10	<b>34,345</b>	58,347
Prepayments, deposits and other receivables		<b>24,625</b>	35,958
Tax recoverable		<b>6,548</b>	6,914
Cash and bank balances		<b>166,633</b>	219,249
<b>Total current assets</b>		<b>531,321</b>	588,578
<b>CURRENT LIABILITIES</b>			
Trade payables	11	<b>43,894</b>	24,245
Other payables and accruals		<b>84,643</b>	76,066
Interest-bearing bank borrowing	12	<b>9,418</b>	12,876
Tax payable		<b>7,293</b>	8,132
<b>Total current liabilities</b>		<b>145,248</b>	121,319
<b>NET CURRENT ASSETS</b>		<b>386,073</b>	467,259
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>687,543</b>	774,715
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liabilities		<b>4,855</b>	5,264
<b>NET ASSETS</b>		<b>682,688</b>	769,451
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	13	<b>36,738</b>	36,738
Reserves		<b>645,950</b>	732,713
<b>TOTAL EQUITY</b>		<b>682,688</b>	769,451



## 08 Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2016

	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 April 2015 (audited)	36,721	105,185	744	9,186	25,886	10,116	581,117	768,955
Issue of shares by exercise of share options	17	381	-	(87)	-	-	-	311
Total comprehensive income/ (loss) for the period	-	-	-	-	699	-	(26,608)	(25,909)
Final 2015 dividend declared and paid	-	-	-	-	-	-	(49,596)	(49,596)
At 30 September 2015 (unaudited)	36,738	105,566	744	9,099	26,585	10,116	504,913	693,761
At 1 April 2016 (audited)	36,738	105,566*	744*	9,099*	22,718*	10,128*	584,458*	769,451
Total comprehensive loss for the period	-	-	-	-	(4,698)	-	(60,022)	(64,720)
Final 2016 dividend declared and paid	-	-	-	-	-	-	(22,043)	(22,043)
At 30 September 2016 (unaudited)	36,738	105,566*	744*	9,099*	18,020*	10,128*	502,393*	682,688

\* These reserve accounts comprise the consolidated reserves of HK\$645,950,000 (31 March 2016: HK\$732,713,000) in the condensed consolidated statement of financial position.

## 09 Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash flows used in operating activities	<b>(6,329)</b>	(76,660)
Net cash flows used in investing activities	<b>(13,806)</b>	(31,772)
Net cash flows used in financing activities	<b>(27,626)</b>	(22,666)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(47,761)</b>	(131,098)
Cash and cash equivalents at beginning of period	<b>219,249</b>	256,818
Effect of foreign exchange rate changes, net	<b>(4,855)</b>	1,771
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>166,633</b>	127,491
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>166,633</b>	127,491

## 1. BASIS OF PRESENTATION AND PREPARATION

These unaudited condensed consolidated interim financial statements (the “**Interim Financial Statements**”) of the Bauhaus International (Holdings) Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2016 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “*Interim Financial Reporting*”, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and the Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The accounting policies and basis of preparation adopted in the preparation of the Interim Financial Statements are the same as those used in the annual financial statements for the year ended 31 March 2016, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“**HKFRS**”) (which also include HKASs and Interpretations) in current period for the first time as disclosed in Note 2 below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

These Interim Financial Statements have not been audited, but have been reviewed by the Company’s audit committee and should be read in conjunction with the 2016 annual report.

## 2. ACCOUNTING POLICIES AND DISCLOSURE

The Group has adopted the following revised standards and amendments for the first time in the preparation of these Interim Financial Statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above revised standards and amendments has had no significant financial effect on these Interim Financial Statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective in these Interim Financial Statements. The Group is in the process of making an assessment of the impact of the new and revised standards upon adoption while the Group is not yet in a position to state whether it would have a significant impact on the Group's results of operations and financial position.

### 3. OPERATING SEGMENT INFORMATION

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

For management purposes, the Group is organised into business units that offer products to customers located in different geographical areas. In determining the Group's reportable operating segments, revenues, results, assets and liabilities attributable to the segment are based on the location of the customers. The Group 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/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance cost 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 corporate liabilities as these liabilities are managed on a group basis.

Segment non-current assets exclude deferred tax assets and other unallocated corporate non-current assets as these assets are managed on a group basis.

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

#### **Information about major customers**

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

30 September 2016

## 3. OPERATING SEGMENT INFORMATION (continued)

	Hong Kong and Macau HK\$'000	Mainland China HK\$'000	Taiwan HK\$'000	Elsewhere HK\$'000	Total HK\$'000
<b>For the six months ended 30 September 2016 (Unaudited)</b>					
<b>Segment revenue:</b>					
Sales to external customers	348,057	53,587	98,342	1,399	501,385
Intersegment sales	24,550	–	59,737	–	84,287
	372,607	53,587	158,079	1,399	585,672
<i>Reconciliation:</i>					
Elimination of intersegment sales					(84,287)
Revenue					501,385
<b>Segment results:</b>					
	(10,752)	(296)	(15,978)	17	(27,009)
<i>Reconciliation:</i>					
Interest income					179
Finance cost					(128)
Unallocated expenses					(29,415)
Loss before tax					(56,373)
<b>Other segment information:</b>					
Capital expenditure	8,434	469	3,110	35	12,048
Unallocated capital expenditure					1,770
Total capital expenditure					13,818
Depreciation	10,782	1,806	4,874	–	17,462
Unallocated depreciation					3,188
Total depreciation					20,650
<b>As at 30 September 2016 (Unaudited)</b>					
<b>Segment assets:</b>					
<i>Reconciliation:</i>					
Deferred tax assets					25,604
Tax recoverable					6,548
Unallocated assets					182,301
Total assets					832,791
<b>Segment liabilities:</b>					
<i>Reconciliation:</i>					
Deferred tax liabilities					4,855
Interest-bearing bank borrowing					9,418
Tax payable					7,293
Unallocated liabilities					12,176
Total liabilities					150,103
<b>Segment non-current assets:</b>					
<i>Reconciliation:</i>					
Deferred tax assets					25,604
Unallocated non-current assets					136,952
Total non-current assets					301,470

30 September 2016

## 3. OPERATING SEGMENT INFORMATION (continued)

	Hong Kong and Macau HK\$'000	Mainland China HK\$'000	Taiwan HK\$'000	Elsewhere HK\$'000	Total HK\$'000
<b>For the six months ended</b>					
<b>30 September 2015 (Unaudited)</b>					
<b>Segment revenue:</b>					
Sales to external customers	427,145	58,419	96,724	3,069	585,357
Intersegment sales	33,099	–	97,603	–	130,702
	460,244	58,419	194,327	3,069	716,059
<i>Reconciliation:</i>					
Elimination of intersegment sales					(130,702)
Revenue					585,357
<b>Segment results:</b>					
<i>Reconciliation:</i>					
Interest income					243
Finance cost					(264)
Unallocated expenses					(29,557)
Loss before tax					(25,283)
<b>Other segment information:</b>					
Capital expenditure	22,403	1,834	3,491	42	27,770
Unallocated capital expenditure					4,053
Total capital expenditure					31,823
Depreciation	12,151	2,525	5,259	–	19,935
Unallocated depreciation					2,950
Total depreciation					22,885
<b>As at 31 March 2016 (Audited)</b>					
<b>Segment assets:</b>					
<i>Reconciliation:</i>					
Deferred tax assets					27,988
Tax recoverable					6,914
Unallocated assets					232,201
Total assets					896,034
<b>Segment liabilities:</b>					
<i>Reconciliation:</i>					
Deferred tax liabilities					5,264
Interest-bearing bank borrowing					12,876
Tax payable					8,132
Unallocated liabilities					10,438
Total liabilities					126,583
<b>Segment non-current assets:</b>					
<i>Reconciliation:</i>					
Deferred tax assets					27,988
Unallocated non-current assets					139,103
Total non-current assets					307,456

30 September 2016

**4. REVENUE, OTHER INCOME AND GAIN**

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts and sales tax.

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>		
Sale of garment products and accessories	<b>501,385</b>	585,357
<b>Other income</b>		
Bank interest income	<b>179</b>	243
Rental income	<b>194</b>	–
Others	<b>1,292</b>	894
	<b>1,665</b>	1,137
<b>Gain</b>		
Foreign exchange differences, net	<b>2,112</b>	183
	<b>3,777</b>	1,320

**5. FINANCE COST**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans	<b>128</b>	264



30 September 2016

**6. LOSS BEFORE TAX**

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

	<b>Six months ended 30 September 2016 (Unaudited) HK\$'000</b>	2015 (Unaudited) HK\$'000
Cost of inventories sold	<b>209,767</b>	218,897
Provision for slow-moving inventories, net, included in cost of sales	<b>8,458</b>	12,532
Depreciation	<b>20,650</b>	22,885
Minimum lease payments under operating leases	<b>119,941</b>	127,915
Contingent rents under operating leases	<b>23,297</b>	25,839
	<b>143,238</b>	153,754
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and other benefits	<b>93,362</b>	106,723
Pension scheme contributions	<b>5,241</b>	5,365
	<b>98,603</b>	112,088
<b>Other expenses:</b>		
Loss on disposal of items of property, plant and equipment, net	<b>796</b>	854
Impairment of items of property, plant and equipment	<b>3,881</b>	1,136
Amortisation of intangible assets	<b>113</b>	127
Write-off of intangible assets	<b>11</b>	29
Write-off of rental deposits	<b>64</b>	121
Write-off of bad debts	<b>–</b>	12
Provision for doubtful debts	<b>317</b>	1
	<b>5,182</b>	2,280

30 September 2016

**7. INCOME TAX**

Hong Kong profit tax has been provided at a rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2016. The People's Republic of China corporate income tax has been provided at a rate of 25.0% (2015: 25.0%) on the profits for the period under review of the Group's Mainland China subsidiaries. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current tax charge/(credit)		
– Hong Kong	<b>1,267</b>	5,502
– Mainland China	<b>(145)</b>	265
– Elsewhere	<b>503</b>	1,096
Deferred tax charge/(credit)	<b>2,024</b>	(5,538)
<b>Total tax charge for the period</b>	<b>3,649</b>	1,325

30 September 2016

**8. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT**

The calculation of the basic loss per share is based on the loss for the period attributable to equity holders of the parent of HK\$60,022,000 (2015: HK\$26,608,000) and the weighted average number of ordinary shares of 367,380,000 (2015: 367,367,930) in issue during the six months ended 30 September 2016.

The calculation of the diluted loss per share is based on the loss for the period 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 the six months period under review, as used in the basic loss 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 loss per share are based on:

	<b>Six months ended 30 September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Loss</b>		
Loss attributable to equity holders of the parent, used in the basic loss per share calculation	<b>60,022</b>	26,608
<b>Number of Shares</b>		
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the six months period under review used in the basic loss per share calculation	<b>367,380,000</b>	367,367,930
Effect of dilution – weighted average number of ordinary shares: Share options	–	496,705
	<b>367,380,000</b>	367,864,635

30 September 2016

**9. DIVIDEND**

A final dividend of HK\$22,043,000 for the year ended 31 March 2016 (2015: HK\$49,596,000) was paid in September 2016.

The Directors did not declare the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).

**10. TRADE RECEIVABLES**

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 while no credit terms were granted to sales to franchisees, except for certain well-established customers with a long business relationship with the Group, where the terms are extended. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed. In view of the aforementioned and the fact the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

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:

	<b>As at 30 September 2016 (Unaudited) HK\$'000</b>	As at 31 March 2016 (Audited) HK\$'000
Within 90 days	<b>33,750</b>	57,175
91 to 180 days	<b>538</b>	688
181 to 365 days	<b>57</b>	161
Over 365 days	<b>–</b>	323
	<b>34,345</b>	58,347

30 September 2016

**11. TRADE PAYABLES**

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

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

	<b>As at 30 September 2016 (Unaudited) HK\$'000</b>	As at 31 March 2016 (Audited) HK\$'000
Within 90 days	<b>42,967</b>	23,742
91 to 180 days	<b>765</b>	178
181 to 365 days	<b>105</b>	122
Over 365 days	<b>57</b>	203
	<b>43,894</b>	24,245

**12. INTEREST-BEARING BANK BORROWING**

	<b>As at 30 September 2016 (Unaudited) HK\$'000</b>	As at 31 March 2016 (Audited) HK\$'000
<b>Current – secured</b>		
Bank loan repayable on demand	<b>9,418</b>	12,876
Analysed into bank loan repayable:*		
Within one year or on demand	<b>6,933</b>	6,933
In the second year	<b>2,485</b>	5,943
	<b>9,418</b>	12,876

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

30 September 2016

**12. INTEREST-BEARING BANK BORROWING** *(continued)**Notes:*

- (a) The Group's general banking facilities and loans are secured by the Group's buildings situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of approximately HK\$115,998,000 (31 March 2016: HK\$117,269,000).
- (b) The loan is in Hong Kong dollars and has maturity in 2018.
- (c) The bank loan were bearing interest at variable rates ranging from 2% to 3% (2015: 2% to 3%) per annum during the period under review.

**13. SHARE CAPITAL****Shares**

	<b>Company</b>	
	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2016</b>	2016
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Issued and fully paid:		
367,380,000 (31 March 2016: 367,380,000)		
ordinary shares of HK\$0.1 each	<b>36,738</b>	36,738

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

30 September 2016

## 14. SHARE OPTION SCHEME

On 22 April 2005, the Company adopted a share option scheme (the “**Old Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The Old Scheme remained in force for 10 years from the date of its adoption and had expired on 21 April 2015. Nonetheless, options granted prior to expiry of the Old Scheme shall continue to be valid and exercisable in accordance with the rules of the Old Scheme.

On 27 August 2015, the Company adopted a new share option scheme (the “**New Scheme**”) to provide the Company with the flexibility of granting share options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. Eligible participants of the New Scheme include the Company’s directors, including independent non-executive directors, other employees of the Group, any advisers, consultants, suppliers and customers of the Group and such other persons who, in the sole opinion of the board of directors of the Company, will contribute or have contributed to the Group. The New Scheme will remain in force for 10 years from the effective date of 28 August 2015.

No share option was granted under the New Scheme during the six months ended 30 September 2016 (2015: Nil).

The following share options were outstanding under the Old Scheme during the period under review:

	For the six months ended 30 September 2016 (Unaudited)		For the year ended 31 March 2016 (Audited)	
	Weighted average exercise price per share HK\$	Number of share options '000	Weighted average exercise price per share HK\$	Number of share options '000
At beginning of period/year	1.830	1,330	1.830	1,500
Exercised during the period/year		-	1.830	(170)
At end of period/year	1.830	1,330	1.830	1,330

No share option expense was recognised by the Group during the six months ended 30 September 2016 (2015: Nil).

30 September 2016

**15. CONTINGENT LIABILITIES**

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

	<b>As at 30 September 2016 (Unaudited) HK\$'000</b>	As at 31 March 2016 (Audited) HK\$'000
Bank guarantees given in lieu of utility and property rental deposits	<b>5,182</b>	6,812

**16. 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 eight years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>As at 30 September 2016 (Unaudited) HK\$'000</b>	As at 31 March 2016 (Audited) HK\$'000
Within one year	<b>208,173</b>	214,421
In the second to fifth year, inclusive	<b>209,147</b>	252,932
Over five years	<b>2,284</b>	6,055
	<b>419,604</b>	473,408

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.



30 September 2016

**17. CAPITAL COMMITMENTS**

The Group had capital commitments in respect of enhancements on computer information systems contracted, but not provided for, amounting to about HK\$1,166,000 as at 30 September 2016 (31 March 2016: HK\$1,811,000).

**18. RELATED PARTY TRANSACTIONS**

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Computer system maintenance charges	<b>45</b>	63

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

Short-term employee benefits	<b>2,136</b>	2,102
Post-employment benefits	<b>40</b>	38
Total compensation paid to key management personnel	<b>2,176</b>	2,140

**19. EVENT AFTER THE REPORTING PERIOD**

On 12 November 2016, the Group entered into a provisional sale and purchase agreement with independent third parties to dispose a property situated in Macau for a cash consideration of HK\$8,380,000. This transaction is scheduled to be completed on or before 28 February 2017.

**20. COMPARATIVE AMOUNTS**

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

**21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS**

The Interim Financial Statements were approved and authorised for issue by the board of directors of the Company on 25 November 2016.

## BUSINESS REVIEW

The Group is principally engaged in the design and retailing of trendy apparels, bags and fashion accessories. It operates self-managed retail stores in Hong Kong, Macau, Taiwan and Mainland China and franchise outlets in Mainland China. The Group's turnover is mostly contributed by its major in-house labels like "SALAD", "TOUGH" and "80/20" as well as some reputable licensed brands including "SUPERDRY", "DESIGUAL" and "UNIVERSITY OF OXFORD", etc.

As at 30 September 2016, the Group had a total of 207 shops in operation (31 March 2016: 225).

	<b>As at 30 September 2016</b>	As at 31 March 2016	Changes
<b>Self-managed outlets</b>			
Hong Kong & Macau	<b>82</b>	86	-4
Taiwan	<b>89</b>	94	-5
Mainland China	<b>28</b>	34	-6
	<b>199</b>	214	-15
<b>Franchised outlets</b>			
Mainland China	<b>8</b>	11	-3
<b>TOTAL</b>	<b>207</b>	225	-18

The Group's results in the first half of financial year 2016/17 were disappointing and it incurred a greater net loss for the six months ended 30 September 2016 of about HK\$60.0 million (2015: HK\$26.6 million). Turnover of the Group dropped by about 14.3% to approximately HK\$501.4 million (2015: HK\$585.4 million) and the Group recorded an overall negative same-store-sales growth of about 14%. Sluggish retail sentiment among consumers really depressed retail markets. Although the Group encountered great difficulty in boosting sales in certain regions, especially in Hong Kong, it still managed to maintain a strong liquidity position, low financial gearing and a flexible operation structure to confront market challenges.

### Hong Kong and Macau

The Hong Kong and Macau operating segment, accounting for the largest portion of the Group's turnover, has traditionally provided a positive profit contribution. However, many negative factors severely suppressed the performance in the region and eventually the segment recorded a loss of about HK\$10.8 million (2015: segment profit of HK\$24.1 million) for the six months ended 30 September 2016. The turnover of the segment plunged by about 18.5% to approximately HK\$348.1 million (2015: HK\$427.2 million), which was mostly attributable to substantial negative growth in same-store-sales of about 17% in the period under review.

The stiff headwinds particularly hit the retail operations in Hong Kong. The ongoing depreciation of the Renminbi and relatively strong position of the Hong Kong dollar against other currencies discouraged inbound tourism. Uncertain local economic prospects and volatile investment markets had led to a more cautious local spending sentiment. Further, rapid changes in consumer preference and a shortened life cycle of fashionable products created a greater gap in product matching. More seriously, intensive discount-driven retail dynamics in recent years have gradually diminished the effectiveness of certain traditional promotional campaigns and sales discount programs as compared to previous years. Though the economic prospects were not so optimistic, the operating costs, in particular store rentals in major shopping arcades, remained high in the region and have not yet elastically come down. The combined effect of these adverse factors presented substantial difficulty to the Group to operate profitably under current stagnant market conditions in the traditional low season in the first half of the financial year.

In view of prolonged weak retail climate and without any significant indicator of a rebound in near term, the Group had proactively streamlined its loss-making or under-performing offline retail portfolio in Hong Kong since the first quarter of 2016 while at the same time it strategically pursued new locations to build retail shops with either better sales potential or a competitive operating cost structure. During the period under review, the Group has closed seven shops in Hong Kong upon expiry of the respective tenancy leases while strategically establishing a new shop in Hong Kong International Airport.

The business performance in Macau was relatively stable despite the diminished performance of the gaming sector in recent years. Although tourism traffic was expected to be volatile for a while, the latest updates indicated that the Macau's retail sentiment has steadily recovered. The Group has extended its retail coverage to some reputable shopping malls, including The Parisian Macao (a grand entertainment and resort complex located in Cotai, Macau newly-opened in September 2016). The sales performances of these newly-established shops were encouraging during the six months ended 30 September 2016.

### Taiwan

The retail market in Taiwan was still stagnant while the Group successfully attained its sales target in the first half of the financial year, recording a mild sales growth in the region of about 1.7% to approximately HK\$98.3 million (2015: HK\$96.7 million). Also, the segment loss was narrowed to about HK\$16.0 million (2015: HK\$20.4 million) as compared to the same period last year.

During the six months ended 30 September 2016, the Group recorded a negative same-store-sales growth rate of about 3%. The Group has closely monitored the effectiveness of its shop merchandise and adjusted its retail portfolio scale and mix on an ongoing basis. It has gradually eliminated certain ineffective points-of-sale in the region and was revamping certain of its brand mix to increase attractiveness and popularity. At the end of the reporting period, there was a total of 89 stores/counters (31 March 2016: 94) in Taiwan, covering nine cities and mostly located in reputable department stores. In addition, the Group has increased the number of short-term bargain outlets to reduce the level of aged and slow-moving inventories.

### Mainland China

As at 30 September 2016, the Group operated its self-managed retail shops in Beijing, Shanghai, and Guangzhou and maintained a streamlined franchise network focusing on the second-tier cities in Mainland China. Turnover from the Mainland China segment decreased by about 8.2% to about HK\$53.6 million (2015: HK\$58.4 million) and the Group recorded a negative same-store-sales growth of about 5% in its traditional offline retail network during the six months ended 30 September 2016. The segment also recorded a minor loss of about HK\$0.3 million (2015: segment profit of HK\$0.1 million) for the six months ended 30 September 2016.

The Group revamped its retail portfolio in Mainland China to provide a more slim and flexible operational structure. At the end of the reporting period, the Group had 28 self-managed offline stores (31 March 2016: 34) in the region, of which most of shops have been renovated as "SALAD" specialty stores. The newly-branded shops have offered a relatively stable contribution to the segment.

In addition to the traditional offline retail network, the Group has proactively developed distribution channels through certain reputable e-commerce platforms, including Tmall. The Group has experienced an exponential growth in sales of more than 130% through China's online sales platforms during the period under review. While the online sales basis has not yet accounted for a significant portion of the segment as a whole, it was still encouraging to successfully build and manage an effective sales channel in the current adverse market environment.

### **Elsewhere**

The Group's business has been extended to certain Asian countries, mostly Japan, through wholesale operations. The turnover from the segment dropped to about HK\$1.4 million (2015: HK\$3.1 million). The drop was mainly due to unfavourable sales demand from Japan while the segment still maintained a break-even performance during the period under review.

### **Cost Control**

Aside from ongoing business development, the Group has placed much effort on managing expenses. In respect of controlling rental costs, a major component of its operating expenses, a number of underperforming stores has been closed during the period under review and the Group has been more cautious to identify new sites for store openings and to rebalance prospective sales opportunities against cost efficiencies.

The management was also aware of the need to control costs in other areas, as reflected by efforts intended to rationalise workflow procedures, streamline an ineffective workforce, optimise inventory restocking, manage advertising spending and reduce capital expenditure.

### **Seasonality**

Based on the Group's track record, its sales and results are greatly affected by seasonality. The first half of each financial year has historically been less important than the second half. In general, more than 50% of the Group's annual sales and most of its net profit are derived in the second half of the financial year, particularly during the period from Christmas to Lunar New Year. The Group expects this seasonal trend to continue this financial year despite the difficult operating environment.

## FINANCIAL REVIEW

### Turnover

The turnover of the Group declined by around 14.3% to approximately HK\$501.4 million (2015: HK\$585.4 million) for the six months ended 30 September 2016. The major components of the Group's turnover by business models were as follows:

	<b>Six months ended 30 September 2016 HK\$ million</b>	Six months ended 30 September 2015 HK\$ million	Changes
Retail – Offline	<b>486.3</b>	569.6	–14.6%
Retail – Online	<b>11.6</b>	5.9	+96.6%
Franchise and wholesale	<b>3.5</b>	9.9	–64.6%
<b>TOTAL</b>	<b>501.4</b>	585.4	–14.3%

As indicated above, the traditional offline retail business was the largest sales contributor, accounting for approximately 97.0% (2015: 97.3%) of total turnover while recording a negative year-on-year growth of about 14.6%. Encouragingly, on the other hand, the Group's online retail business has gained traction, contributing a remarkable growth in sales of about 96.6% during the period under review and gradually becoming an alternative distribution channel to effectively support the Group's business development.

### Operating Segment Information

Detailed information of the Group's turnover and its contribution to profit or loss before tax by segment is shown in Note 3 to the Interim Financial Statements.

### Gross Profit

Due to the decline in sales and weak retail sentiment, the Group's gross profit decreased by about 20.0% to approximately HK\$283.2 million (2015: HK\$353.9 million) for the six months ended 30 September 2016. To galvanise customer traffic and sales as well as to control slow moving inventories, extensive sales discount programs and massive bargain sales activities were launched during the period under review. The gross margin was inevitably trimmed to around 56.5% (2015: 60.5%) as compared with the same period last year.

### Operating Expenses

Operating expenses of the Group declined by about 9.8% to approximately HK\$343.2 million (2015: HK\$380.3 million) for the six months ended 30 September 2016, equivalent to roughly 68.4% (2015: 65.0%) of the Group's turnover. Rent for land and buildings reduced by about 6.8% to approximately HK\$142.9 million (2015: HK\$153.4 million), accounting for about 28.5% (2015: 26.2%) of its turnover and equivalent to about 41.6% (2015: 40.3%) of the Group's operating expenses during the period under review. The Group strategically reallocated, consolidated and converted its retail portfolio, particularly in Hong Kong, to attain a more cost-effective structure and to maintain market rental increment at a moderate level.

Staff cost was another key operating cost that also decreased by about 12.0% to approximately HK\$98.6 million (2015: HK\$112.1 million) for the six months ended 30 September 2016. The staff cost-to-sales ratio, however, rose slightly to about 19.7% (2015: 19.1%) mainly due to a substantial decline in turnover. The headcount of the Group was reduced by about 13.7% to 1,157 (31 March 2016: 1,341), with the greatest reduction in the workforce in Hong Kong.

Depreciation charges decreased to approximately HK\$20.7 million (2015: HK\$22.9 million) for the six months ended 30 September 2016. Marketing and advertising expenses were reduced dramatically by about 41.4% to approximately HK\$13.0 million (2015: HK\$22.2 million) for the period under review. The Group intended to prudently focus its marketing efforts on key products and brands and in traditional retail sales peak seasons.

### Finance Cost

The finance cost was approximately HK\$128,000 (2015: HK\$264,000) for the period under review, which represented the interest expense paid for a mortgage loan.

### Net Loss

The Group incurred a net loss for the six months ended 30 September 2016 of approximately HK\$60.0 million (2015: HK\$26.6 million). Net profit margin also deteriorated to about -12.0% (2015: -4.5%). The unfavourable results were primarily caused by the adverse performance of the retail business in Hong Kong.

## CAPITAL STRUCTURE

As at 30 September 2016, the Group had net assets of approximately HK\$682.7 million (31 March 2016: HK\$769.5 million), comprising non-current assets of approximately HK\$301.5 million (31 March 2016: HK\$307.5 million), net current assets of approximately HK\$386.1 million (31 March 2016: HK\$467.3 million) and non-current liability of approximately HK\$4.9 million (31 March 2016: HK\$5.3 million).

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2016, the Group had cash and bank balances of approximately HK\$166.6 million (31 March 2016: HK\$219.2 million). At the end of the reporting period, the Group had aggregate banking facilities of approximately HK\$154.2 million (31 March 2016: HK\$157.7 million) comprising an interest-bearing bank overdraft, revolving loans, rental and utility guarantees as well as import facilities, of which approximately HK\$135.4 million had not been utilised. In particular, the Group had a bank loan of approximately HK\$9.4 million as at 30 September 2016 (31 March 2016: HK\$12.9 million), which was in Hong Kong dollars repayable within two years (31 March 2016: two years) and bearing interest at variable rates ranging from about 2% to 3% (31 March 2016: from 2% to 3%) per annum.

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 1.1% (31 March 2016: 1.4%).

## CASH FLOWS

For the six months ended 30 September 2016, net cash flows used in operating activities were cut to approximately HK\$6.3 million (2015: HK\$76.7 million), which was mainly attributable to a substantial drop in merchandise procurement. Net cash flows used in investing activities were also reduced significantly to approximately HK\$13.8 million (2015: HK\$31.8 million) due to less capital expenditure for new shop openings and store renovation. Net cash flows used in financing activities of approximately HK\$27.6 million (2015: HK\$22.7 million) mainly represented the payment of 2016 final dividends and repayment of a mortgage loan.



## SECURITY

As at 30 September 2016, the Group's general banking facilities and bank loan were secured by certain of its leasehold land and buildings with aggregate carrying value of approximately HK\$116.0 million (31 March 2016: HK\$117.3 million).

## CAPITAL COMMITMENT

The Group had capital commitments in respect of enhancements on computer information systems contracted, but not provided for, amounting to about HK\$1.2 million as at 30 September 2016 (31 March 2016: HK\$1.8 million).

## CONTINGENT LIABILITIES

As at 30 September 2016, 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 (31 March 2016: HK\$6.8 million).

## HUMAN RESOURCES

Including the Directors, the Group had 1,157 (31 March 2016: 1,341) employees as at 30 September 2016. To attract and retain high quality staff, the Group provided competitive remuneration packages with performance bonuses, mandatory provident fund, 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 regularly reviewed. Regarding staff development, the Group provided regular in-house training to retail staff and subsidised external training programmes for their professional development.

## FOREIGN EXCHANGE RISK MANAGEMENT

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

## DIVIDEND

The Directors did not declare the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).

### PROSPECTS

The upcoming financial period is expected to remain challenging as such factors as high operating costs in Hong Kong, slow economic growth in Mainland China, and unfavourable exchange rate between the Hong Kong dollar and Renminbi will continue to persist. Nonetheless, the second half of the financial year is the traditional peak season for retailers as the holiday season invariably encourages consumption. The management therefore expects the Group's performance will be better in the second half year.

To sustain the Group's development, the management will continue to closely monitor market conditions and make timely adjustments to operations. The Group will also explore store-opening opportunities in Macau, particularly in large-scale resorts and shopping malls in the second half year, as the local retail market has performed positively during the reporting period under review. Furthermore, the management will leverage the Group's unique market position and well-diversified brand portfolio to underpin its development efforts.

Another important strategy that will be conducted in the upcoming financial period will be optimisation of the Group's retail network. Already, the Group has closed a number of underperforming stores and stores under high cost pressure in the first half of the financial year – reducing the number of self-operated stores to 199 as at 30 September 2016 (31 March 2016: 214). Though such consolidation efforts are now largely complete, several more sales points may be closed before the end of the financial year.

On the e-commerce front, this business segment has been maturing rapidly and has the potential to become an important growth driver for the Group. The management will therefore seek to develop the e-commerce business by making greater investments, and will also significantly enhance the Group's mobile application to complement the development of the e-commerce business. Furthermore, the Group will look to bolster ties with major e-commerce platforms in Mainland China.

Aside from business development, the management fully recognises the importance of controlling costs, which is part and parcel of operating a sustainable business. As past efforts – in combination with store closures – have shown, the Group's cost controls are effective in preserving the profitability of the Group. To control rental expense, the management will examine locations in prime areas, e.g. shopping malls, which are suitable for relocating certain stores. Also, the Group will strive to reduce workflow processes; take a more cautious approach towards inventory restocking; and rein back advertising and promotion campaigns.

The management fully recognises the immense challenge of operating in a difficult business environment and will take all steps necessary to ensure the sustained development of the Group, as well as the delivery of stable returns to its shareholders.

## DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2016, 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 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

Name of director	Number of shares held, capacity and nature of interest			Total number of ordinary shares held	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Through a discretionary trust/as beneficiary or trustee of trust		
Mr. Wong Yui Lam	1,700,000	29,900,000 <i>(note)</i>	180,000,000 <i>(note)</i>	211,600,000	57.60%
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.

### (b) Long positions 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 shares of HK\$1 each	50% of the issued non-voting deferred shares

*Note:*

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

Save as disclosed above, as at 30 September 2016, 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 corporation 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.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed in the section of "Share Option Scheme" below, at no time during the six months ended 30 September 2016 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.

## SHARE OPTION SCHEME

The first share option scheme of the Company adopted on 22 April 2005 (the “**Old Scheme**”) had expired on 21 April 2015. Therefore, the Company adopted a new share option scheme (the “**New Scheme**”) pursuant to a resolution of the shareholders passed at the annual general meeting of the Company held on 27 August 2015. The Company operates the New 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 Old Scheme and the New Scheme are disclosed in Note 14 to the Interim Financial Statements.

The following table discloses movements in the Company’s share options outstanding during the six months ended 30 September 2016:

Name or category of participant	Number of share options					At 30 September 2016	Date of grant of share options (i)	Exercise period of share options	Exercise price of share options (ii) HK\$ per share
	At 1 April 2016	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited during the period				
<b>Director</b>									
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			
<b>Other employees</b>									
In aggregate	130,000	-	-	-	-	130,000	13 Jan 12	12 Jan 13 to 12 Jan 17	1.830
	290,000	-	-	-	-	290,000	13 Jan 12	12 Jan 14 to 12 Jan 17	1.830
	360,000	-	-	-	-	360,000	13 Jan 12	12 Jan 15 to 12 Jan 17	1.830
	780,000	-	-	-	-	780,000			
	1,330,000	-	-	-	-	1,330,000			

Notes to the table of share options outstanding during the six months ended 30 September 2016:

- (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.

No share option was granted during the six months ended 30 September 2016. At the end of the reporting period and the date of this report, the Company had 1,330,000 share options still valid and outstanding under the Old Scheme, which represented approximately 0.4% of the Company’s shares in issue as at these dates. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1,330,000 additional ordinary shares of the Company and additional share capital of HK\$133,000 and share premium of HK\$2,301,000 (before issue expenses).

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

As at 30 September 2016, 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:

Name	Position	Number of shares held, capacity and nature of interest				Total number of ordinary shares held	Percentage of the Company's issued share capital
		Directly beneficially owned	Through controlled corporation	Through discretionary trust/as beneficiary or trustee of trust			
Huge Treasure (note 1)	Long position	180,000,000	–	–	180,000,000	49.00%	
East Asia International Trustees Limited ("EAIT") (note 2)	Long position	–	–	180,000,000	180,000,000	49.00%	
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	9.27%	
David Michael Webb (note 5)	Long position	9,046,000	20,354,000	–	29,400,000	8.00%	

### Notes:

- 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.
- 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.
- 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 20,354,000 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 30 September 2016, no person, other than the directors of the Company, whose interests are set out in the section of “Directors’ interests in securities” above, had 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.

## CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2016 except for not having a separate chairman (the “**Chairman**”) and chief executive officer (the “**CEO**”) of the Company. Both positions are currently held by Mr. Wong Yui Lam (“**Mr. Wong**”).

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. As the founder of the Group, Mr. Wong has substantial experience in the fashion industry and retail operations. The Directors consider 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 Directors believe 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.

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in directorship and other changes in the information of the Directors since the publication of the annual report of the Company for the year ended 31 March 2016 up to the date of this report are set out below:

Name of Director	Details of changes
Mr. Mak Siu Yan	<ul style="list-style-type: none"> <li>Appointed as independent non-executive Director with effect from 4 July 2016</li> </ul>
Dr. Wong Yun Kuen ("Dr. Wong")	<ul style="list-style-type: none"> <li>Appointed as an executive director of Ngai Shun Holdings Limited (stock code: 1246) with effect from 5 July 2016</li> <li>Re-designated from an independent non-executive director of China Sandi Holdings Limited (stock code: 910) ("CSHL") to non-executive director of CSHL with effect from 15 September 2016</li> </ul>

## MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Based on specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 September 2016.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2016.



## **REVIEW OF FINANCIAL INFORMATION**

An audit committee of the Company (the “**Audit Committee**”) was established on 22 April 2005 with written terms of reference. As at 30 September 2016 and the date of this report, it comprised four independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group, and discussed risk management, internal control and financial reporting matters, including the review of the Interim Financial Statements for the six months ended 30 September 2016.

## **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.

## **APPRECIATION**

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

By Order of the Board  
**Bauhaus International (Holdings) Limited**  
**Wong Yui Lam**  
*Chairman*

Hong Kong, 25 November 2016