bauhaus

annual report 2011

BAUHAUS INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code:483)

Contents


bauhaus
HAPPY
EASTER
2011

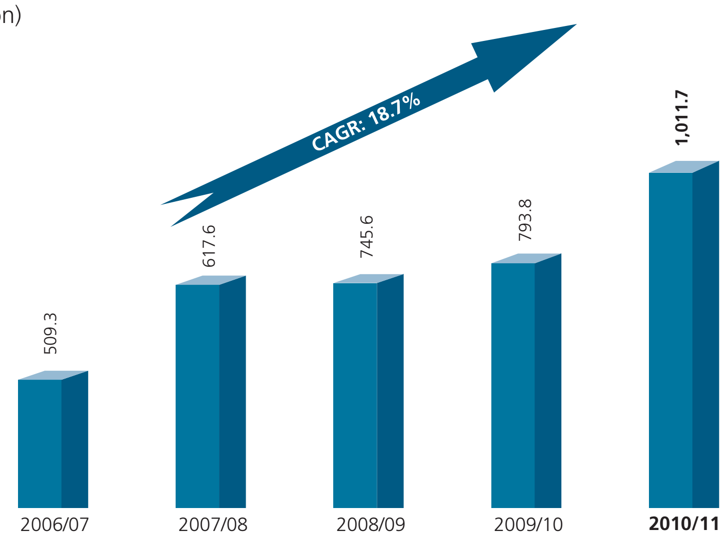
Segment Turnover

Market	Turnover 2011 HK$ million	Turnover 2010 HK$ million	Turnover Change %	Turnover Composition 2011 %	Turnover Composition 2010 %	Turnover Composition Change % pts
By Region						
Hong Kong	587.5	474.0	↑23.9%	58.1%	59.7%	↓ 1.6%
Macau	61.1	52.6	↑16.2%	6.0%	6.6%	↓ 0.6%
Mainland China						
Self-managed Retail Business	113.4	75.4	↑50.4%			
Franchise Business	57.7	48.0	↑20.2%			
	171.1	123.4	↑38.7%	16.9%	15.6%	↑ 1.3%
Taiwan	161.6	113.3	↑42.6%	16.0%	14.3%	↑ 1.7%
Elsewhere	30.4	30.5	↓ 0.3%	3.0%	3.8%	↓ 0.8%
	1,011.7	793.8	↑27.5%	100.0%	100.0%	
By Business						
Retail	923.6	715.3	↑29.1%	91.3%	90.1%	↑ 1.2%
Franchise	57.7	48.0	↑20.2%	5.7%	6.1%	↓ 0.4%
Wholesales	30.4	30.5	↓ 0.3%	3.0%	3.8%	↓ 0.8%
	1,011.7	793.8	↑27.5%	100.0%	100.0%	

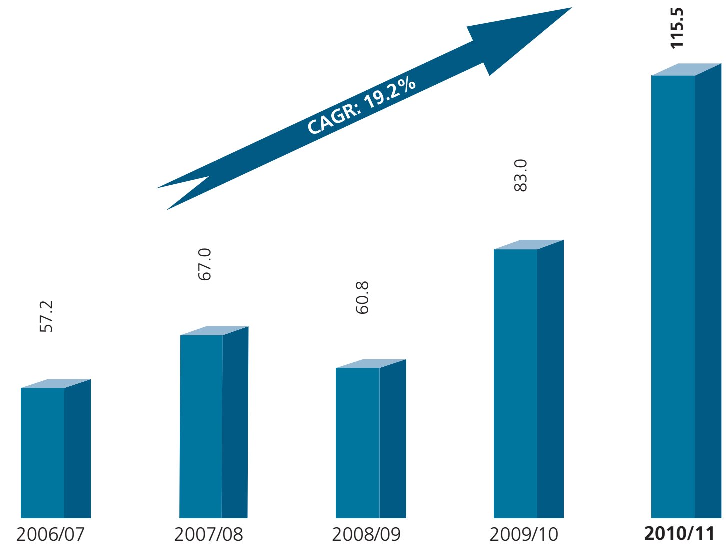
Retail network

		No. of outlets				
		Hong Kong	Macau	Mainland China	Taiwan	TOTAL
As at 31 March 2011						
Self-managed retail network						
In-House Brand	BAUHAUS	36	3	7	7	53
	TOUGH	9	1	27	24	61
	SALAD	10	—	6	10	26
	80/20	5	—	1	1	7
	Others	7	—	—	2	9
Licensed Brand	SUPERDRY	4	—	—	9	13
Sub-total number of shops		71	4	41	53	169
Aggregate floor area (in Sq. feet)		89,378	9,210	54,326	37,800	190,714
Franchise network						
TOUGH		—	—	54	—	54
SALAD		—	—	11	—	11
Sub-total number of shops		—	—	65	—	65
TOTAL number of shops		71	4	106	53	234
As at 31 March 2010						
Self-managed retail network						
In-House Brand	BAUHAUS	33	2	5	5	45
	TOUGH	9	1	17	23	50
	SALAD	8	—	1	6	15
	80/20	3	—	1	4	8
	Others	4	—	—	1	5
Licensed Brand	SUPERDRY	—	—	—	—	—
Sub-total number of shops		57	3	24	39	123
Aggregate floor area (in Sq. feet)		80,347	8,590	32,555	27,390	148,882
Franchise network						
TOUGH		—	—	57	—	57
SALAD		—	—	13	—	13
Sub-total number of shops		—	—	70	—	70
TOTAL number of shops		57	3	94	39	193

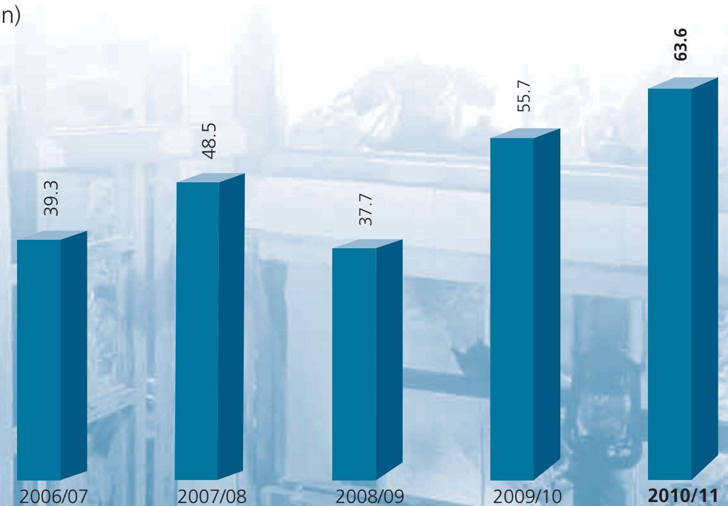
Turnover (HK$ Million)



Net Profit (HK$ Million)



Dividend (HK$ Million)




STRIKE FOR
YOUR OWN COLOR
Color Leather Jacket Collection

		Notes	**FY 10/11**	FY 09/10 (restated)	Change +/–
Key Financial Ratios					
Performance					
Gross Margin	(%)	1	**70.0**	70.1	-0.1% pt.
Net Profit Margin	(%)	2	**11.4**	10.5	0.9% pt.
Return on Average Equity	(%)	3	**25.1**	20.6	4.5% pts.
Return on Average Assets	(%)	4	**20.4**	17.2	3.2% pts.
Operating					
Inventory Turnover Days		5	**196**	201	-5 days
Debtors' Turnover Days		6	**10**	10	—
Creditors' Turnover Days		7	**20**	29	-9 days
Liquidity and Gearing					
Current Ratio		8	**3.3**	4.6	-28.3%
Quick Ratio		9	**1.7**	3.1	-45.2%
Per Share Data					
Book Value Per Share	(HK cents)	10	**137.69**	118.50	16.2%
Earnings Per Share	(HK cents)	11	**32.14**	23.10	39.1%
Dividend Per Share					
Interim	(HK cents)		**2.00**	2.00	—
Proposed Final	(HK cents)		**10.70**	8.50	25.9%
Proposed Special	(HK cents)		**5.00**	5.00	—
			17.70	15.50	14.2%
Dividend Payout Ratio	(%)	12	**55.1**	67.1	-12.0% pts.

Notes:

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

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

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

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

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

6 "Debtors' Turnover Days" is based on average of opening and closing balance of trade and bills 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 "Book Value Per Share" represents shareholders' equity divided by the total number of issued shares at the end of reporting period of 359,450,000 (2010: 359,450,000).

11 "Earnings Per Share" is calculated as the profit for the year attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the year under review of 359,450,000 (2010: 359,450,000).

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

NAME OF THE COMPANY
Bauhaus International (Holdings) Limited
包浩斯國際(控股)有限公司

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

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

COMPANY SECRETARY
Mr. Li Kin Cheong, CPA, FCCA

QUALIFIED ACCOUNTANT
Mr. Li Kin Cheong, CPA, FCCA

AUTHORISED REPRESENTATIVES
Mr. Wong Yui Lam
Madam Lee Yuk Ming

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

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

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

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Kowloon City
Kowloon
Hong Kong

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
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Butterfield House
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Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Listing information

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

Share information

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

Shares	**As at 31 March 2011** No. of shares	**As at 31 March 2010** No. of shares
Authorised shares	2,000,000,000	2,000,000,000
Issued shares	359,450,000	359,450,000

	FY 2010/11 HK cents	**FY 2009/10** HK cents
Basic earnings per share	32.14	23.10
Dividend per share		
Interim	2.00	2.00
Proposed final	10.70	8.50
Proposed special	5.00	5.00
TOTAL	17.70	15.50

Key dates

2010 annual results announcement	15 July 2010
Closure of Register of Members	24 August 2010 to 26 August 2010 *(both days inclusive)*
2010 annual general meeting	26 August 2010
Payment of 2010 final and special dividend	17 September 2010
2011 interim results announcement	25 November 2010
Closure of Register of Members	4 January 2011 to 6 January 2011 *(both days inclusive)*
Payment of 2011 interim dividend	21 January 2011
2011 annual results announcement	21 June 2011
2011 annual general meeting	11 August 2011
Closure of Register of Members	17 August 2011 to 19 August 2011 *(both days inclusive)*
Payable of proposed final and special dividends	8 September 2011
Internet website	www.bauhaus.com.hk
Financial year end	31 March
Interim period end	30 September

On behalf of the board of directors (the "Board"), I am pleased to present the annual results of Bauhaus International (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2011.

Over the past year, the economy has continued its recovery from the financial downturn. The management believes that the overall retail market has reacted positively, benefiting from improved spending sentiment as well as a low currency standing in Mainland China. Despite the economic jolt caused by the devastating earthquake and tsunami that struck Japan, there was no significant impact on the Group's business, and the Group was able to sustain healthy growth. While rent, labor and other operating expenses continued to pose challenges, our network expansion efforts proved to be a success, allowing us to contain the various costs and sustain profitability.

The management remains cautiously optimistic about the positive sales trend, having noted an increase in average same-store sales of around 18% achieved by the Group's self-managed shops (about 15% in Hong Kong, about 18% in Macau, about 18% in Mainland China and about 25% in Taiwan) during April to May 2011. We have continued to direct resources to further expand the retail and distribution networks, as well as nurture brands with high potential. The Group plans to invest capital expenditure of approximately HK$80 million to HK$100 million in FY2011/12. We believe that such efforts can propel the Group to still greater heights in the future.

Consistent with our policy of distributing not less than 40% of the Group's net profit in dividends, and in recognition of shareholders' continuous support, the Board has recommended the payment of a final dividend of HK10.7 cents per share along with a special dividend of HK5.0 cents per share. Combined with an interim dividend of HK2.0 cents per share declared for the six months ended 30 September 2010, total dividend for the year will amount to HK17.7 cents per share, representing a dividend payout ratio of about 55.1%.

Hong Kong, Macau and Taiwan remain our sales foundation

Hong Kong, Macau and Taiwan continued to serve as the Group's foundation and customer base, gaining strength with each passing year. Our positive performance in all three regions are attributed to effective and innovative product and marketing strategies, dedicated workforce, well-established brand image and rising consumption sentiment. Moreover, a motivated sales and marketing team can be credited for enabling the Group to generate sufficient profits to support developing plans. Having opened 14 new stores in Hong Kong, 1 in Macau and 14 in Taiwan, the Group has been benefited from significant growth in profit while still abiding by the principle of balancing stable business development with prudent cost controls. Furthering this principle, the Group relocated certain retail shops to more cost-effective locations and purchased certain properties for use as warehouses during the year under review and subsequent to the end of reporting period to strengthen the Group's asset base and prevent rising rent from eroding profits. Operations in all three regions have matured into successful and stable retail networks that we believe can maintain long-term growth.

Continue to penetrate the Mainland China market

Our overall performance in Mainland China was satisfactory during the year under review. However, we realise that we still have many rooms to improve in terms of operating effectiveness and efficiency. As we believe that the region will be a major growth driver in the long run, we will continue to follow the Group's successful business model that is usually employed and adapt it to the Mainland China market. We will also increase the Group's exposure to the region by establishing more self-managed retail shops. This will enable us to have a better grasp of local trends and quickly adapt to ever-changing customer tastes. What is more, our focus on expanding the Group's self-managed retail network in the short run will intensify in already established areas of the country, such as Beijing, Shanghai, Guangzhou and Nanjing, to better benefit from economies of scale.

With regards to our franchise network, we will assist those franchisees that have achieved strong performances while concurrently eliminate weaker ones, in turn streamlining operation to realise greater cost effectiveness. Training and other professional services will be provided to franchisees as well; equipping them with the necessary skill sets to grow in tandem with the Group.

Develop brands with high potential

Over the past several years, the Group's branding and marketing strategies have helped introduce labels into the retail clothing industry that are now immensely popular among target consumers. Following on such successful stories as "TOUGH Jeansmith" and "SALAD", we will continue our mission to nurture both in-house and imported brands that we believe having significant potential in the market. Specifically, the Group will open self-managed stores for in-house brands that have shown progress for at least two years since their introduction, as well as imported brands that possess strong prospects. In the case of the latter, the management will also consider employing a "shop-in-shop" strategy whereby imported brands will be introduced into the Group's prime location shops.

The aforesaid technique has been successfully used to introduce the imported UK brand "SUPERDRY" in both Hong Kong and Taiwan in previous years. Having done exceptionally well in both markets, the Group subsequently opened four "SUPERDRY" stores in Hong Kong and nine in Taiwan during the year under review and will open a flagship store in Hong Kong in the third quarter of 2011.

In terms of broadening our customer base along with enriching the brand portfolio of the Group, we will open new branded retail stores when appropriate, which will also enable us to capture greater market share.

Although, the inflation and rising operating costs in Mainland China and other regions the Group operates have remained a great concern, the Group has no doubt that Hong Kong, Taiwan and Macau will continue to be key sources of revenue. Mainland China, on the other hand, will support future growth and development goals as we gradually expand our presence in the country. Efforts in other regions will carry on as well, holding true to our objective of promoting the Group as a leading trendy fashion house that delivers quality clothing to different parts of the world. With a more flexible cost structure and strategic expansion measures in place, the Group is ready to embrace every opportunity and overcome every challenge ahead.

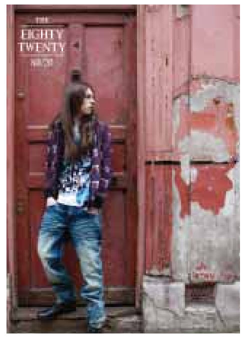
The management firmly believes that a successful business is one that also successfully reaches out to society. Reflecting this view, we have over the past few years presented employment opportunities to those who dropped out from school. While helping these individuals achieve their career goals by providing professional training and support, the Group benefits from having a group of highly motivated staff who can assist in its business development. In maintaining this and other programs, the Group will continue to give back to society, which is what being a responsible corporate citizen is all about.

Appreciation

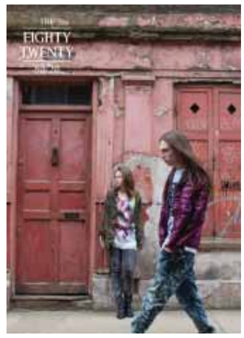
On behalf of the Board, I would like to express my gratitude to our shareholders, business partners, and customers for their continuous support. I would also like to extend my appreciation to all of the Group's employees for their perseverance and commitment over the years. Working as one, I trust that we will realise still greater achievements in the years to come.

Wong Yui Lam
Chairman

Hong Kong, 21 June 2011


EIGHTY
TWENTY


EIGHTY
TWENTY


EIGHTY
TWENTY


twistedmind

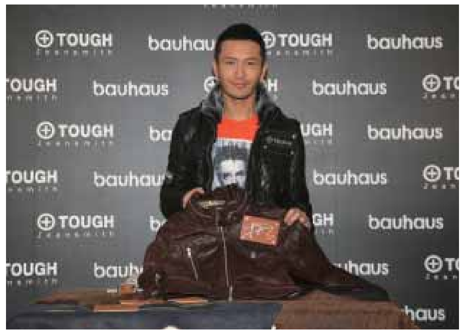

TOUGH
Freedom
is
destination.
cuz we are TOUGH-activists.


TOUGH
Wake me up
before you
go go.


TOUGH
Soul
is
freedom.


TOUGH
Nothing
really
matters.


TOUGH


TOUGH
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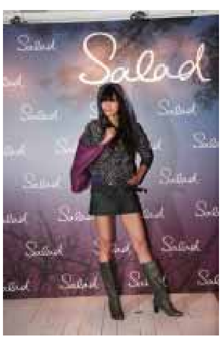
Salad


SuperdryStore.


極度乾燥(しなさい)


Superdry


Superdry.


Superdry.


Superdry.
SuperdryStore.


Superdry.


bauhaus
NEW
ARRIVAL


TOUGH


bauhaus


bauhaus


Salad
TOUGH


Salad

BUSINESS REVIEW

The Group recorded an aggregate turnover of approximately HK$1,011.7 million (2010: HK$793.8 million) in the year ended 31 March 2011, a strong growth rate of about 27.5% over the corresponding year in 2010. The Group's net profits also increased significantly by about 39.2% to approximately HK$115.5 million (2010: HK$83.0 million) and the profit margin improved from about 10.5% in 2010 to about 11.4%.

The retail markets along with consumer sentiment in the regions within which the Group operates experienced a strong recovery, improving continuously during the year under review. Accordingly, the Group more aggressively expanded its self-managed retail network to realise the immense potential of these markets. During the year under review, the Group's store portfolio (including both self-managed and franchised shops) has increased from 193 as at 31 March 2010 to 234 as at 31 March 2011, a net increase of 41. Instead of focusing on short term results, the Group has continuously committed to expand the Group's business at a healthy pace and to establish a solid business foundation to achieve sustainable development. The Group also acquired certain properties located in Hong Kong during the year under review to enhance the Group's assets base. As a result, capital expenditure increased significantly from HK$14.8 million in last fiscal year to HK$88.0 million in the year ended 31 March 2011.

As at 31 March 2011, the Group's self-managed retail outlets and franchised outlets were located in Hong Kong, Macau, Mainland China and Taiwan and traded under the brand names such as "BAUHAUS", "TOUGH Jeansmith", "SALAD" and "80/20", as well as a well-receiving licensed brand "SUPERDRY".

Hong Kong and Macau

Turnover from Hong Kong and Macau is derived from the self-managed retail business. Retail operations in Hong Kong, which accounted for about 58.1% (2010: 59.7%) of the Group's turnover, achieved double-digit growth in sales of about 23.9% to about HK$587.5 million (2010: HK$474.0 million) during the year under review. Moreover, retail sales in Macau also increased by about 16.2% to about HK$61.1 million (2010: HK$52.6 million) in the year ended 31 March 2011. During the year under review, the Group not only expanded aggressively its self-managed retail networks by adding 15 more stores in Hong Kong and Macau, but also enriched its retail shop portfolio by introducing well-performing licensed brand specialty shops, "SUPERDRY", to these markets. The results of these efforts were well-received during the year under review. The new brand shops are considered to be a potential growth driver for the Group's business, especially in mature markets such as Hong Kong and Taiwan. The Group remains committed to build a robust and diverse network to fuel its growth in the long term.

Mainland China

The Group has penetrated the Mainland China market through a "dual-channel" model. In this model, its self-managed retail operations cover first-tier cities currently including Beijing, Shanghai, Guangzhou and Nanjing while its franchised networks cover more than 30 prime cities in Mainland China with huge market potential. During the year under review, the turnover from Mainland China continued as one of the principal growth engines of the Group surging about 38.7% to approximately HK$171.1 million (2010: HK$123.4 million).

The following table is an outline of the Group's retail and franchise network in Mainland China at the end of the reporting periods.

	As at 31 March 2011	As at 31 March 2010	Net Changes
Self-managed outlets			
Mainland China			
Shanghai	**21**	14	+7
Beijing	**13**	8	+5
Guangzhou	**5**	2	+3
Nanjing	**2**	–	+2
	41	24	+17
Franchised outlets			
Mainland China	**65**	70	-5
TOTAL	**106**	94	+12

Self-managed Retail Operation

During the year under review, retail sales in Mainland China recorded a significant growth of about 50.4% to approximately HK$113.4 million (2010: HK$75.4 million). The Group has speeded up its expansion of its self-managed retail networks during the year under review by aggregately adding 26 new shops in targeted first-tier cities. Instead of focusing merely on the scale of retail networks, the Group has given higher priority on the profitability and operating efficiency of its shop portfolio as a whole. During the year under review, the Group also closed 9 non-performing shops. The Group has aimed to improve its profitability and cost structure in the region in order to build a solid and healthy foundation to capture the immense potential of the growing market. Therefore, the Group has also proactively relocated certain shops to other prime shopping areas in order to expose its retail outlets more effectively to the Group's target customers and to moderate rental burden.

Franchise Business

The franchise business model is an important and efficient strategic tool to rapidly penetrate the Mainland China market. The Group, on the one hand, was actively seeking qualified partners to join our franchise business. However, at the same time, the Group eliminated some non-performing franchisees to streamline the business operation and improve efficiency. As a result, the total number of franchised shops dropped from 70 as at 31 March 2010 to 65 as at the end of the reporting year. Through gradually improved sales and operating efficiency, the turnover contributed by the franchise business rose by about 20.2% to approximately HK$57.7 million (2010: HK$48.0 million) during the year under review. Although the Group expected that the growth in franchise sales still would be more volatile than the retail business in the near future, the Group remained cautiously optimistic about maintaining growth in this business segment in the long term. Therefore, the Group has invested more resources in streamlining operations and providing training and technical support to franchisees to weather the challenges in the marketplace.

Taiwan

The Group has engaged in self-managed retail operations in Taiwan for years. Taiwan's retail operations again recorded an encouraging result with a turnover increase by about 42.6% to approximately HK$161.6 million (2010: HK$113.3 million). Due to its dedicated management efforts, professional sales teams, pinpoint marketing strategies and extensive and strategically located retail networks, the Group has achieved sustained rapid sales growth on the island. With a solid foundation in Taiwan built up over ten years and effective branding efforts, the Group's in-house branded products were generally well-received in the trendy casual wear market. The Group gradually penetrated deeper into the major cities of Taiwan to capture a greater market share. In addition to extending its footprint through in-house labels, the Group also introduced the growing licensed brand, "SUPERDRY", to the Taiwan market and opened 9 "SUPERDRY" shops during the year under review. Together with other new shops of existing brands, there was a net increase of 14 outlets during the year ended 31 March 2011 bringing the total to 53 outlets in Taiwan as at 31 March 2011, mostly within reputable department stores in Taiwan's major cities.

Elsewhere

The Group has extended its business coverage across many overseas countries through wholesale operations. Since the last fiscal year, the Group has started to downsize the business operation in Europe in view of the gloomy economic outlook in that region and has re-directed its resources to develop its business in Asia. The overall sales contributed by the segment remained virtually constant at about HK$30.5 million during the corresponding year in 2010 to approximately HK$30.4 million for the year ended 31 March 2011. However, the Japanese market, the largest overseas wholesale market of the Group, recorded growth in sales of about 20.1% to approximately HK$22.7 million (2010: HK$18.9 million) during the year under review. The Group attempted to gradually expand its penetration in the region by offering solid technical support, thereby aiding its distributors to extend its retail networks. In addition, the Group also proactively sought new business partners for its wholesale business.

FINANCIAL REVIEW

Turnover

The aggregate turnover of the Group rose by about 27.5% to approximately HK$1,011.7 million (2010: HK$793.8 million) for the year ended 31 March 2011, which comprised around HK$923.6 million (2010: HK$715.3 million) in sales from retail operations, about HK$57.7 million (2010: HK$48.0 million) in sales from the franchise business and approximately HK$30.4 million (2010: HK$30.5 million) in sales from the wholesale business. The retail business, accounting for about 91.3% (2010: 90.1%) of the total turnover and expanding by around 29.1%, was the major sales growth contributor.

Operating Segment Information

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

Gross Profit

The Group's gross profit rose by about 27.3% to approximately HK$708.2 million (2010: HK$556.4 million) in the year ended 31 March 2011 and the gross margin has been successfully maintained at almost an identical level of about 70.0% (2010: 70.1%) compared with last year.

Even though the increase in product costs, mainly as a result of obvious increment in raw material cost and labor cost, has imposed pressure on the Group's gross margin in the year under review, the Group enacted certain effective measures to compensate for the adverse effect. During the year under review, the Group increased the retail price of in-house branded products in general and reduced the extent and frequency of sales discounts to the customers in the wake of the continued improvement in consumer sentiment and retail performance. The sales mix of the Group's in-house branded products remained at a high level of about 88% (2010: 89%) during the year under review. Generally, the Group's in-house branded products offer greater gross margins to the Group than internationally branded merchandise and other vendors' brands. As a result, the Group was capable of managing its overall gross margin at a relatively high and stable level.

Operating Expenses

The Group's stringent cost control measures have taken effect during the year under review. The Group's operating expenses increased by about 23.2% to approximately HK$563.9 million during the year ended 31 March 2011 (2010: HK$457.7 million), but as a percentage of total turnover were equivalent to about 55.7% of the total turnover (2010: 57.7%), a drop of about two percentage points.

Rental cost of land and buildings, which accounted for about 44.1% (2010: 44.6%) of the Group's total expenses in the review year and equivalent to about 24.6% (2010: 25.7%) of the Group's turnover, rose by about 21.8% to approximately HK$248.7 million (2010: HK$204.2 million) mainly because of an increase in market rents, the number of stores and gross shop areas leased by the Group. In past years, the Group strategically relocated and consolidated certain shops to reduce an unreasonably high rental burden and to enhance sales area utilisation. These measures have gradually taken effect during the year under review as the upward pressure on rent-to-sales ratio has been gradually alleviated and hence the net profit margin has improved as expected. The Group more aggressively expanded and enriched its shop portfolio during the year under review, but higher priority was placed on improving the profitability as a whole rather than merely expanding the scale of the operation.

Staff cost was another major operating cost, and increased by about 24.2% to approximately HK$173.4 million during the year ended 31 March 2011 (2010: HK$139.6 million). However, the staff cost-to-sales ratio dropped slightly from about 17.6% in 2010 to about 17.1% in 2011 as the Group's effective cost control measures were in place. Besides, the Group continued to enhance its procedures to motivate sales staff, monitor their performance and ensure high accountability and efficiency to confront competition and the rapidly changing operating environment in different regions.

Depreciation charges rose by about 9.5% to approximately HK$27.6 million for the year ended 31 March 2011 (2010: HK$25.2 million (restated)). Marketing expenses, including advertising, promotion and exhibition expenses, jumped to approximately HK$22.8 million (2010: HK$16.0 million) for the year under review, an increase of about 42.5%, and were aimed at enhancing brand building efforts and exposure of the Group's in-house brands to the target consumer markets, especially in Mainland China.

Net Profit

The Group's net profit attributable to shareholders was up drastically by about 39.2% from approximately HK$83.0 million in 2010 to approximately HK$115.5 million for the year ended 31 March 2011. Net profit margin also improved from about 10.5% to about 11.4%.

CAPITAL STRUCTURE

As at 31 March 2011, the Group had net assets of approximately HK$494.9 million (2010: HK$425.9 million), comprising non-current assets of approximately HK$203.6 million (2010: HK$124.5 million (restated)), net current assets of approximately HK$292.8 million (2010: HK$302.7 million (restated)) and non-current liabilities of approximately HK$1.5 million (2010: HK$1.3 million (restated)).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2011, the Group had cash and cash equivalents of about HK$153.9 million (2010: HK$220.6 million) and had no bank borrowings at the end of the reporting year (2010: Nil). As at 31 March 2011, the Group had aggregate banking facilities of about HK$22.0 million (2010: HK$22.0 million) comprising interest-bearing bank overdraft, rental and utility guarantees as well as import and export facilities, of which about HK$15.9 million had not been utilised.

CASH FLOWS

For the year ended 31 March 2011, net cash inflow from operating activities was approximately HK$68.1 million (2010: HK$126.7 million), which was mainly attributed to a strong growth in sales. Net cash outflow from investing activities increased significantly from approximately HK$14.9 million in the corresponding year of 2010 to approximately HK$86.1 million in the review year, mainly because of significant increase in capital expenditure to support fast expansion of the retail shop network in the year under review and acquisition of certain properties in Hong Kong to enhance assets base. Net cash outflow from financing activities during the year under review was due to the payment of the 2009/10 final and special dividends totaling approximately HK$55.7 million (2008/09: HK$37.7 million).

SECURITY

As at 31 March 2011, the Group's general banking facilities were secured by certain of its leasehold land and buildings with aggregate carrying value of approximately HK$9.4 million (2010: HK$9.6 million (restated)).

CAPITAL COMMITMENT

As at 31 March 2011, both the Group and the Company had no material capital commitments in respect of the acquisition of items of property, plant and equipment contracted, but not provided for in the financial statements (2010: Nil).

CONTINGENT LIABILITIES

As at 31 March 2011, the Group had contingent liabilities in respect of bank guarantees given in lieu of rental and utility deposits amounting to approximately HK$5.5 million (2010: HK$7.7 million). The Company had no material contingent liabilities as at the end of the reporting year (2010: Nil).

HUMAN RESOURCES

Including all directors, the Group had 1,673 employees as at 31 March 2011 (2010: 1,442). To attract and retain high performance staff, the Group has provided competitive remuneration packages with performance bonuses, mandatory provident fund, insurance, medical coverage and entitlements to share options to be granted under a share option scheme based on employees' performance, experience and prevailing market rate. Remuneration packages were reviewed regularly. Regarding staff development, the Group provided regular in-house training to retail staff and subsidised them on external training programmes.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's sales and purchases during the year were mostly denominated in Hong Kong dollars, US dollars, Euros and Renminbi. The Group was exposed to certain foreign currency exchange risks while it does not anticipate future currency fluctuations to cause material operational difficulties or liquidity problems. However, the Group continuously monitors its foreign exchange position and, when necessary, will hedge foreign exchange exposure arising from contractual commitments in sourcing apparel from overseas suppliers. The Group's objective and policies in foreign exchange risk management and other major financial risk management are set out in Note 32 to the consolidated financial statements.

DIRECTORS

Executive Directors

Mr. Wong Yui Lam, aged 53, 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 18 years of experience in fashion industry. He was awarded the Teacher's Certificate by Sir Robert Black College of Education in 1981.

Madam Lee Yuk Ming, aged 43, is the General Manager and the Authorised Representative of the Group. She is responsible for implementation of corporate strategies and co-ordination among different departments and business units of the Group. Madam Lee is also responsible for administration, accounting and financial control functions of the Group. Madam Lee is an associate member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. She obtained a diploma in Management Studies from the Hong Kong Polytechnic University/Hong Kong Management Association in 1998. Madam Lee has over 21 years of experience in different areas including accounting, finance and management in Hong Kong. She joined the Group in April 2002.

Mr. Yeung Yat Hang, aged 34, is the Operation Manager of the Group. Mr. Yeung is responsible for overseeing the Group's business operation in Mainland China. He is also responsible for the Group's leasing affairs and executing various development projects. Mr. Yeung has extensive experience in business negotiation, project management, shop design and formulation of operational strategies. He joined the Group in May 1994 and had been a personal assistant to Mr. Wong Yui Lam.

Independent Non-Executive Directors

Dr. Wong Yun Kuen, aged 53, was appointed as an Independent Non-Executive Director on 1 May 2005. Dr. Wong received his Ph.D. Degree from Harvard University in 1989. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and is a member of Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited, and the independent non-executive director of China Grand Forestry Green Resources Group Limited, Climax International Company Limited, Kingston Financial Group Limited, Harmony Asset Limited, Hua Yi Copper Holdings Limited, Kaisun Energy Group Limited, Kong Sun Holdings Limited, China Yunnan Tin Minerals Group Company Limited, New Island Printing Holdings Limited and ZMAY Holdings Limited. All the aforesaid companies are listed either on the Main Board or GEM Board of the Stock Exchange of Hong Kong Limited.

Mr. Chu To Ki, aged 45, 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 21 years of working experience in the legal field in Hong Kong. Mr. Chu is currently a principal of a solicitors firm at TKC Lawyers.

Mr. Mak Wing Kit, aged 43, 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 17 years of experience in auditing, accounting, company secretarial and financial control in Hong Kong. Mr. Mak is currently the financial controller of a private company based in Hong Kong and People's Republic of China ("PRC").

SENIOR MANAGEMENT

Mr. Chan Chi Keung, aged 60, is the General Manager – Production of the Group and the legal representative of 汕頭市包浩斯服飾製品有限公司 ("Bauhaus Shantou"), a wholly-owned subsidiary of the Group. Mr. Chan is responsible for the supervision of production processes at the production site operated by the Group in the PRC and the sourcing of raw materials from suppliers in the PRC. Mr. Chan has over 25 years of manufacturing experience in the clothing and fashion accessory industry. Mr. Chan joined the Group in August 2001. Mr. Chan is the spouse of Madam Ho Kin Ching.

Madam Ho Kin Ching, aged 57, is the Production Manager of the Group and a director of Bauhaus Shantou. Madam Ho is responsible for administration and inventory control of the production site in the PRC. She has over 25 years of experience in the clothing and fashion accessory industry. She joined the Group in August 2001. Madam Ho is the spouse of Mr. Chan Chi Keung.

Mr. Chan Chung Kai, aged 46, is the Strategic Marketing Director of the Group. Mr. Chan is responsible for the Group's strategic marketing plans, buying strategies and procurement of fashion labels. Mr. Chan has over 19 years experience in strategic marketing, brand development and visual merchandising and he had successfully introduced certain foreign brands into Hong Kong market with overwhelming responses. Prior to joining the Group in January 2007, Mr. Chan gained extensive strategic marketing experience in a fashion group.

Madam Fan Ching Shan, Susan, aged 48, is the Design & Merchandising Director of the Group. She is responsible for all activities concerning design direction, product planning, material and factory sourcing, production capacity planning as well as garment merchandising. Madam Fan obtained a diploma in management studies from the Hong Kong Management Association/HK Polytechnic University in 1999. Madam Fan has over 26 years of product development, merchandising, sales and marketing experience in Hong Kong and overseas markets. She joined the Group in July 2001.

Mr. Li Kin Cheong, aged 35, 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 13 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 45, is the Administration Manager of the Group. She is responsible for administration and human resources management of the Group. Madam Chan has over 21 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 maintain good standard of corporate governance practices which serve as a vital element of risk management throughout the growth and expansion of the Company. The board of directors (the "Board") of the Company emphasises on maintaining and carrying out sound and effective corporate governance principles and structure. Throughout the year ended 31 March 2011, the Company has complied with the applicable code provision of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange except for the deviation from provision A.2.1 in respect of the roles of chairman and chief executive officer of the Company. Explanations for such non-compliance are discussed later in the section "Chairman and Chief Executive Officer" in this Corporate Governance Report.

BOARD OF DIRECTORS

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

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

In compliance with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive directors. The Board considers that all the independent non-executive directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of the shareholders of the Company.

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

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

If a director of the Company 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 transaction.

The Company has arranged appropriate liability insurance cover 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.

As at 31 March 2011, the Board comprised six directors including three executive directors and three independent non-executive directors. The biographical details of the Directors are set out in the section of "Directors and Senior Management" on pages 20 to 21 of this Annual Report.

BOARD OF DIRECTORS *(Continued)*

The members of the Board for the year ended 31 March 2011 and up to the date of this report are as follows:

Executive Directors

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

Independent Non-Executive Directors

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

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

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

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

BOARD MEETINGS

Board meetings are scheduled in advance and for regular Board meetings, notice of 14 days together with the agenda have been given to facilitate maximum attendance of the Directors. At the meeting, the Directors were provided with the relevant documents to be considered and approved. Draft minutes of Board meeting are circulated to all the Directors for comments. Minutes of Board meetings are taken by the company secretary of the Company and are available to all Directors.

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

Member of the Board	Attendance
Mr. Wong Yui Lam *(Chairman and Chief Executive Officer)*	7 out of 7
Madam Lee Yuk Ming	7 out of 7
Mr. Yeung Yat Hang	7 out of 7
Mr. Chu To Ki	7 out of 7
Mr. Mak Wing Kit	7 out of 7
Dr. Wong Yun Kuen	5 out of 7

BOARD COMMITTEES

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 terms of engagement and remuneration of the external auditors, to review the Group's financial reporting and internal control systems, to monitor the integrity of the Group's financial statements for publication and also to oversee audit process.

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

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

Member of the audit committee	Attendance
Mr. Mak Wing Kit *(Chairman)*	2 out of 2
Mr. Chu To Ki	2 out of 2
Dr. Wong Yun Kuen	1 out of 2

During the year under review, the audit committee reviewed the Group's interim report and consolidated financial statements, the accounting principles and practices adopted by the Group, plans and findings of the annual audit from external auditors, internal control, risk management and financial reporting matters. In addition, the audit committee also reviewed and approved the external auditors' terms of engagement and remuneration and recommended the Board for re-appointment of the external auditors.

Remuneration Committee

The primary duties of remuneration committee are to make recommendations to the Board on the policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration, to review, determine and approve the terms of remuneration packages, performance-based bonus and other compensation to executive directors and senior management of the Company to ensure such remuneration or compensation is reasonable and not excessive.

The Board established a remuneration committee on 22 April 2005 with terms of references in compliance with the CG Code. The remuneration committee comprises three independent non-executive directors, namely, Mr. Mak Wing Kit, Mr. Chu To Ki and Dr. Wong Yun Kuen. Mr. Mak Wing Kit is the chairman of the remuneration committee. The committee members may call any meetings at any time when necessary or desirable.

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

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

Member of the remuneration committee	Attendance
Mr. Mak Wing Kit *(Chairman)*	1 out of 1
Mr. Chu To Ki	1 out of 1
Dr. Wong Yun Kuen	0 out of 1

During the year under review, the remuneration committee considered and reviewed remuneration policy, which is to enable the Group to retain and motivate staff to meet corporate goals and to support continuous development of the Group. The remuneration package of each director and senior management of the Company is determined by reference to his/her duties and responsibilities, experience and qualifications, prevailing market conditions and both corporate and individual performance. Subject to the Group's profitability, the Group may also provide discretionary bonus to its employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the Company's executive directors is to enable the Company to retain and motivate executive directors by linking their compensation with performance as measured against corporate objectives achieved. The remuneration committee also approved performance-based bonus to the executive directors of the Company.

Nomination Committee

Nomination committee is mainly responsible for making recommendations to the Board on appointment of Directors and management of Board succession. The Board established a nomination committee on 22 April 2005 with terms of references in compliance with the CG Code. The nomination committee comprises three independent non-executive directors, namely, Dr. Wong Yun Kuen, Mr. Chu To Ki and Mr. Mak Wing Kit. 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.

No meeting was held during the year under review as there was no candidate being nominated as new director or to fill causal vacancy upon resignation or retirement of the Directors. 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. At a Board meeting with the presence of the independent non-executive directors held on 21 June 2011, the Directors have reviewed the performance of Madam Lee Yuk Ming and Mr. Yeung Yat Hang, the directors who will retire at the forthcoming annual general meeting of the Company, and approved to recommend the re-election of such directors at the forthcoming annual general meeting of the Company.

EXTERNAL AUDITORS AND AUDITORS REMUNERATION

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

The fees paid or payable to Ernst & Young, and its affiliated firms, for services rendered in respect of the year ended 31 March 2011 are as follows:

	Year ended 31 March 2011 HK$'000	Year ended 31 March 2010 HK$'000
Audit services	**1,640**	1,434
Non-audit services	**646**	677
Total	**2,286**	2,111

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 2011, 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 covered all material controls, including financial, operational and compliance and risk management functions. The Board conducted a review of effectiveness of the internal control system of the Group and also communicated regularly with the audit committee and the external auditors.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

COMMUNICATION WITH INVESTORS AND SHAREHOLDERS

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

The Board also welcomes the views of shareholders on matters affecting the Company and encourages them to attend shareholders' general meeting to communicate directly with the Board. External auditors and board committee Chairman 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 Company's website www.bauhaus.com.hk as well as the website of the Stock Exchange at www.hkexnews.hk, which are constantly being updated in a timely manner and so contain additional information on the Group's business.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and management. Details of the principal activities of the principal subsidiaries are set out in note 15 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 2011 and the state of affairs of the Company and the Group at that date are set out on pages 37 to 87 of this Annual Report.

An interim dividend of HK2.0 cents per ordinary share was paid on 21 January 2011. The directors recommend the payment of final and special dividends of HK10.7 cents and HK5.0 cents per ordinary share, respectively, in respect of the year to shareholders on the register of members on 19 August 2011. 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 proposed final and special dividends are subject to the passing of an ordinary resolution by the shareholders at the forthcoming annual general meeting to be held on 11 August 2011. The record date for the entitlement to the proposed final and special dividends is 19 August 2011. For determining the entitlement to the proposed final and special dividends, the register of members of the Company will be closed from Wednesday, 17 August 2011, to Friday, 19 August 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final and special dividends, if approved, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 16 August 2011.

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 and restated/reclassified as appropriate, is set out on page 88 of this Annual Report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

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

On 2 December 2010, the Board resolved to grant a total of 9,840,000 share options to certain directors and employees of the Group to subscribe for shares of HK$0.10 each in the Company, subject to acceptance by the Grantees, under the share option scheme adopted by the Company on 22 April 2005 as rewards for the Grantees' contribution to the continual operation and development of the Group.

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

Details of movements in the Company's share options during the year are set out in note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2011, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to HK$250,133,000, of which an aggregate of HK$56,434,000 has been proposed as final and special dividends for the year. In addition, the Company's share premium account, in the amount of HK$87,875,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$208,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year and purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

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, Madam Lee Yuk Ming and Mr. Yeung Yat Hang will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2011, 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

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

Note:

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

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

(b) Long positions in share options of the Company:

Name of director	Number of options directly beneficially owned
Madam Lee Yuk Ming	800,000
Mr. Yeung Yat Hang	600,000
	1,400,000

(c) Long positions in shares of associated corporations

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

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

Save as disclosed above, as at 31 March 2011, 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 25 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 2010	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	At 31 March 2011	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share
Directors									
Madam Lee Yuk Ming	–	250,000	–	–	–	250,000	2 Dec 10	2 Dec 11 to 2 Dec 15	3.354
	–	250,000	–	–	–	250,000	2 Dec 10	3 Dec 12 to 2 Dec 15	3.354
	–	300,000	–	–	–	300,000	2 Dec 10	3 Dec 13 to 2 Dec 15	3.354
	–	800,000	–	–	–	800,000			
Mr. Yeung Yat Hang	–	200,000	–	–	–	200,000	2 Dec 10	2 Dec 11 to 2 Dec 15	3.354
	–	200,000	–	–	–	200,000	2 Dec 10	3 Dec 12 to 2 Dec 15	3.354
	–	200,000	–	–	–	200,000	2 Dec 10	3 Dec 13 to 2 Dec 15	3.354
	–	600,000	–	–	–	600,000			
Other employees									
In aggregate	–	2,310,000	–	–	–	2,310,000	2 Dec 10	2 Dec 11 to 2 Dec 15	3.354
	–	2,310,000	–	–	–	2,310,000	2 Dec 10	3 Dec 12 to 2 Dec 15	3.354
	–	3,820,000	–	–	–	3,820,000	2 Dec 10	3 Dec 13 to 2 Dec 15	3.354
	–	8,440,000	–	–	–	8,440,000			
Others									
In aggregate	–	–	–	–	–	–	–	–	–
	–	9,840,000	–	–	–	9,840,000			

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

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** 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 closing price of the Company's shares immediately before the date on which the options were granted during the year was HK$3.35 per share.

SHARE OPTION SCHEME *(Continued)*

The directors have estimated the values of the share options granted during the year, calculated using the Black-Scholes-Merton pricing model as at the date of grant of the options:

Grantee	Number of options granted during the year	Theoreticalvalue of share options HK$'000
Madam Lee Yuk Ming	800,000	665
Mr. Yeung Yat Hang	600,000	498
Other employees	8,440,000	7,011
	9,840,000	8,174

The Black-Scholes-Merton Pricing Model is a generally accepted method of valuing options. The significant assumptions used in the calculation of the values of the share options were the risk-free interest rate, expected life of options, expected volatility and expected dividend. The expected life of the options and expected volatility were estimated taking into account the terms and conditions upon which the options were granted, which may also not necessarily be the actual outcome. The measurement dates used in the valuation calculations were the dates on which the options were granted.

The values of share options calculated using the Black-Scholes-Merton Pricing Model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

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 director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

At 31 March 2011, 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 discretionary trust/as beneficiary or trustee of trust**	**Total number of ordinary shares held**	**Percentage of the Company's issued share capital**
Huge Treasure (note 1)	Long position	180,000,000	–	180,000,000	50.08%
East Asia International Trustees Limited ("EAIT") (note 2)	Long position	–	180,000,000	180,000,000	50.08%
Wonder View (note 3)	Long position	29,900,000	–	29,900,000	8.32%
Great Elite Corporation ("Great Elite") (note 4)	Long position	34,068,000	–	34,068,000	9.48%
Webb David Michael	Long position	18,092,000	–	18,092,000	5.03%

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.

Save as disclosed above, as at 31 March 2011, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, has an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

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

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

Licence of software and provision of services

The Group entered into an agreement for the licence of software and the provision of services with Netideas Limited ("Netideas"), which is 100% beneficially owned by Mr. Wong Yui Hong, a brother of Mr. Wong Yui Lam, an executive director of the Company, and accordingly, Mr. Wong Yui Hong is a connected person of the Company under the Listing Rules. Under the agreement, Netideas grants to the Group the licence (the "Licence") and right to use the relevant modules of a software named Net-Retail Management System (the "Software") and the documentation relating to the Software in connection with the management of the retail business of the Group. The agreement was for a term of three years commencing from 1 October 2008 and ending on 30 September 2011.

For the year ended 31 March 2011, the aggregate amount paid by the Group to Netideas for the Licence amounted to HK$1,185,000.

Sourcing of equipment

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

For the year ended 31 March 2011, the aggregate amount paid by the Group for the sourcing of equipment was HK$881,000.

During the year, the Group engaged 發順計算機服務（上海）有限公司 ("發順"), which is 100% beneficially owned by Mr. Wong Yui Hong, a connected person of the Company under the Listing Rules, for (1) the license of software and the provision of services; and (2) sourcing of equipment. For the year ended 31 March 2011, the aggregate amount paid by the Group to 發順 for (1) the license of software and provisions of services and (2) sourcing of equipment is of HK$99,000 and HK$618,000, respectively.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

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

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

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

EVENT AFTER THE REPORTING PERIOD

Details of the significant event after the reporting period of the Group are set out in note 33 to the financial statements.

AUDITORS

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

ON BEHALF OF THE BOARD

Wong Yui Lam
Chairman

Hong Kong
21 June 2011

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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 (together, the "Group") set out on pages 37 to 87 of this Annual Report, which comprise the consolidated and company statements of financial position as at 31 March 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Certified Public Accountants
Hong Kong
21 June 2011

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	5	**1,011,704**	793,792
Cost of sales		**(303,514)**	(237,370)
Gross profit		**708,190**	556,422
Other income and gains	5	**4,518**	3,608
Selling and distribution costs		**(458,484)**	(368,927)
Administrative expenses		**(99,431)**	(82,139)
Other expenses		**(5,994)**	(6,680)
PROFIT BEFORE TAX	6	**148,799**	102,284
Income tax expense	9	**(33,272)**	(19,256)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	10	**115,527**	83,028
OTHER COMPREHENSIVE INCOME			
Currency translation differences		**7,679**	2,305
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**123,206**	85,333
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12		
Basic		**32.14 cents**	23.10 cents
Diluted		**32.14 cents**	23.10 cents

Details of the dividends payable and proposed for the year are disclosed in note 11 to the financial statements.

31 March 2011

	Notes	**31 March 2011 HK$'000**	31 March 2010 HK$'000 (restated)	1 April 2009 HK$'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	13	**115,435**	60,435	74,979
Intangible assets	14	**1,714**	1,725	1,926
Held-to-maturity debt securities	16	**888**	1,603	1,932
Deferred tax assets	17	**19,069**	10,503	11,048
Rental, utility and other non-current deposits		**66,563**	50,210	49,721
Total non-current assets		**203,669**	124,476	139,606
CURRENT ASSETS				
Inventories	18	**201,682**	124,604	136,939
Trade and bills receivables	19	**34,022**	23,258	18,477
Prepayments, deposits and other receivables	20	**28,638**	16,684	11,398
Tax recoverable		**171**	461	1,722
Held-to-maturity debt securities	16	**780**	1,949	1,166
Cash and cash equivalents	21	**153,934**	220,615	144,615
Total current assets		**419,227**	387,571	314,317
CURRENT LIABILITIES				
Trade payables	22	**21,984**	13,753	16,021
Other payables and accruals	23	**74,704**	58,230	49,900
Tax payable		**29,773**	12,842	8,288
Total current liabilities		**126,461**	84,825	74,209
NET CURRENT ASSETS		**292,766**	302,746	240,108
TOTAL ASSETS LESS CURRENT LIABILITIES		**496,435**	427,222	379,714
NON-CURRENT LIABILITIES				
Deferred tax liabilities	17	**1,497**	1,284	1,367
NET ASSETS		**494,938**	425,938	378,347
EQUITY				
Equity attributable to owners of the parent				
Issued capital	24	**35,945**	35,945	35,945
Reserves	26(a)	**402,559**	341,467	311,849
Proposed dividends	11	**56,434**	48,526	30,553
TOTAL EQUITY		**494,938**	425,938	378,347

Wong Yui Lam
Chairman

Lee Yuk Ming
Director

Year ended 31 March 2011

	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 26(a))	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000 (note 26(a))	Proposed dividends HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 April 2009		35,945	87,875*	744*	–	8,385*	4,915*	30,553	209,930*	378,347
Total comprehensive income for the year		–	–	–	–	2,305	–	–	83,028	85,333
Transfer to reserve funds		–	–	–	–	–	1,568	–	(1,568)	–
Final 2009 dividend declared		–	–	–	–	–	–	(19,770)	–	(19,770)
Special 2009 dividend declared		–	–	–	–	–	–	(10,783)	–	(10,783)
Interim 2010 dividend	11	–	–	–	–	–	–	–	(7,189)	(7,189)
Proposed final 2010 dividend	11	–	–	–	–	–	–	30,553	(30,553)	–
Proposed special 2010 dividend	11	–	–	–	–	–	–	17,973	(17,973)	–
At 31 March 2010		35,945	87,875*	744*	–	10,690*	6,483*	48,526	235,675*	425,938
Total comprehensive income for the year		–	–	–	–	7,679	–	–	115,527	123,206
Transfer to reserve funds		–	–	–	–	–	2,642	–	(2,642)	–
Equity-settled share option arrangements	25	–	–	–	1,509	–	–	–	–	1,509
Final 2010 dividend declared		–	–	–	–	–	–	(30,553)	–	(30,553)
Special 2010 dividend declared		–	–	–	–	–	–	(17,973)	–	(17,973)
Interim 2011 dividend	11	–	–	–	–	–	–	–	(7,189)	(7,189)
Proposed final 2011 dividend	11	–	–	–	–	–	–	38,461	(38,461)	–
Proposed special 2011 dividend	11	–	–	–	–	–	–	17,973	(17,973)	–
At 31 March 2011		35,945	87,875*	744*	1,509*	18,369*	9,125*	56,434	284,937*	494,938

* These reserve accounts comprise the consolidated reserves of HK$402,559,000 (2010: HK$341,467,000) in the consolidated statement of financial position.

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**148,799**	102,284
Adjustments for:			
Bank interest income	5	**(607)**	(412)
Depreciation	6	**27,614**	25,220
Loss on disposal of items of property, plant and equipment	6	**979**	1,524
Write-off of intangible assets	6	**14**	19
Write-off of rental deposits	6	**111**	465
Amortisation of intangible assets	6	**340**	324
Provision for slow-moving inventories, net	6	**1,786**	20,539
Write-off of trade and bills receivables	6	**–**	4
Equity-settled share option expense	25	**1,509**	–
Impairment of trade and bills receivables	6	**1**	–
Impairment of items of property, plant and equipment	6	**4,518**	2,426
		185,064	152,393
Increase in rental, utility and other non-current deposits		**(16,464)**	(954)
Increase in inventories		**(78,864)**	(8,204)
Increase in trade and bills receivables		**(10,765)**	(4,785)
Increase in prepayments, deposits and other receivables		**(11,954)**	(5,286)
Increase/(decrease) in trade payables		**8,231**	(2,268)
Increase in other payables and accruals		**16,474**	8,330
Cash generated from operations		**91,722**	139,226
Interest received		**607**	412
Hong Kong profits tax paid		**(11,142)**	(5,760)
Overseas taxes paid		**(13,061)**	(7,204)
Net cash flows from operating activities		**68,126**	126,674
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(87,652)**	(14,642)
Proceeds from disposal of items of property, plant and equipment		**4**	341
Additions to intangible assets	14	**(343)**	(142)
Redemption/(purchase) of held-to-maturity debt securities		**1,884**	(454)
Net cash flows used in investing activities		**(86,107)**	(14,897)
CASH FLOWS FROM A FINANCING ACTIVITY			
Dividends paid and cash used in a financing activity		**(55,715)**	(37,742)

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(73,696)**	74,035
Cash and cash equivalents at beginning of year		**220,615**	144,615
Effect of foreign exchange rate changes, net		**7,015**	1,965
CASH AND CASH EQUIVALENTS AT END OF YEAR		**153,934**	220,615
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**150,284**	217,135
Non-pledged time deposits with original maturity of less than three months when acquired	21	**3,650**	3,480
		153,934	220,615

31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	15	**145,140**	143,631
CURRENT ASSETS			
Due from subsidiaries	15	**229,864**	240,498
Prepayments, deposits and other receivables	20	**142**	141
Cash and cash equivalents	21	**328**	625
Total current assets		**230,334**	241,264
CURRENT LIABILITIES			
Other payables and accruals	23	**12**	11
NET CURRENT ASSETS		**230,322**	241,253
NET ASSETS		**375,462**	384,884
EQUITY			
Issued capital	24	**35,945**	35,945
Reserves	26(b)	**283,083**	300,413
Proposed dividends	11	**56,434**	48,526
TOTAL EQUITY		**375,462**	384,884

Wong Yui Lam
Chairman

Lee Yuk Ming
Director

1. CORPORATE INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

Basis of consolidation from 1 April 2010

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 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009), the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 April 2010.

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

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

The Group has reassessed its leases in Hong Kong and Macau, previously classified as operating leases, upon the adoption of the amendments. As substantially all the risks and rewards associated with the leases in Hong Kong and Macau have been transferred to the Group, the leases in Hong Kong and Macau have been reclassified from operating leases under "prepaid land lease payments" to finance leases under "property, plant and equipment". The corresponding amortisation has also been reclassified to depreciation. The effects of the above changes are summarised below:

	2011 **HK$'000**	2010 HK$'000
Consolidated statement of comprehensive income for the year ended 31 March		
Decrease in amortisation of prepaid land lease payments	**(280)**	(255)
Increase in depreciation of property, plant and equipment	**280**	255
	–	–
Consolidated statement of financial position at 31 March		
Decrease in prepaid land lease payments, net	**(27,819)**	(12,449)
Increase in property, plant and equipment, net	**27,819**	12,449
	–	–

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

(b) *(Continued)*

	2009 HK$'000
Consolidated statement of financial position at 1 April	
Decrease in prepaid land lease payments, net	(11,865)
Increase in property, plant and equipment, net	11,865
	–

Due to the retrospective application of the amendments which has resulted in the restatement of items in the statement of financial position, a statement of financial position as at 1 April 2009, and the related notes affected by the amendments have been presented in 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 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred tax: Recovery of Underlying Assets*[4]
HKFRS 9	*Financial Instruments*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[2]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[2]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[1]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 July 2010
[2] Effective for annual periods beginning on or after 1 January 2011
[3] Effective for annual periods beginning on or after 1 July 2011
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 January 2013

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Impairment of non-financial assets

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

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

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

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

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

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

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

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

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

Intangible assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

Subsequent measurement

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

Loans and receivables

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

Held-to-maturity investments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Derecognition of financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade payables and other payables.

Subsequent measurement

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

Loans and borrowings

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

Cash and cash equivalents

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

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

Income tax

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

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

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

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

- where 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, where 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.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, 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:

- where 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

Revenue recognition

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

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

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

Share-based payment transactions

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes-Merton Pricing Model, further details of which are given in note 25 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. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

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

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

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

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

Employee benefits

Pension schemes and other retirement benefits

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Dividends

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

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Estimation uncertainty

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

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

Management estimates the useful lives of items of property, plant and equipment when acquired based on the period over which the items of property, plant and equipment are expected to be available for use to the Group. The useful lives of items of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of the reporting period. The carrying value of property, plant and equipment at 31 March 2011 was HK$115,435,000 (2010: HK$60,435,000). Further details are included in note 13 to the financial statements.

Impairment test of items of property, plant and equipment

Management estimates the recoverable amount of items of property, plant and equipment when an indication of impairment exists. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test. The carrying value of property, plant and equipment at 31 March 2011 was HK$115,435,000 (2010: HK$60,435,000). Further details are included in note 13 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 2011 was HK$73,000 (2010: HK$99,000). The amount of unrecognised tax losses at 31 March 2011 was HK$27,685,000 (2010: HK$2,669,000). Further details are included in note 17 to the financial statements.

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

Estimation uncertainty *(Continued)*

Impairment of trade and bills receivables

The Group maintains an allowance, if necessary, 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 and bills 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 and bills receivables at 31 March 2011 was HK$34,022,000 (2010: HK$23,258,000). Further details are included in note 19 to the financial statements.

Provision for inventories

Management reviews an aging analysis at the end of each reporting period, and makes provision for obsolete items when events or change in circumstances show that the balance of inventories may not be realisable or are no longer suitable for production use. The Group carries out an inventory review at the end of each reporting period and makes provision for obsolete items. The carrying value of inventories at 31 March 2011 was HK$201,682,000 (2010: HK$124,604,000). Further details of which are included in note 18 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 and unallocated expenses are excluded from such measurement.

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

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

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Hong Kong and Macau HK$'000	Mainland China HK$'000	Taiwan HK$'000	Elsewhere HK$'000	Total HK$'000 (restated)
Year ended 31 March 2010					
Segment revenue:					
Sales to external customers	526,608	123,416	113,312	30,456	793,792
Intersegment sales	6,412	1,209	44,171	–	51,792
	533,020	124,625	157,483	30,456	845,584
Reconciliation:					
Elimination of intersegment sales					(51,792)
Revenue					793,792
Segment results	79,191	23,960	23,129	7,061	133,341
Reconciliation:					
Interest income					412
Unallocated expenses					(31,469)
Profit before tax					102,284
Segment assets	127,545	128,408	50,659	5,734	312,346
Reconciliation:					
Deferred tax assets					10,503
Tax recoverable					461
Time deposits					3,480
Held-to-maturity debt securities					3,552
Unallocated assets					181,705
Total assets					512,047
Segment liabilities	42,315	26,198	3,401	69	71,983
Reconciliation:					
Deferred tax liabilities					1,284
Tax payable					12,842
Total liabilities					86,109
Other segment information:					
Capital expenditure*	5,633	3,948	1,683	59	11,323
Unallocated capital expenditure*					3,461
					14,784
Depreciation	13,961	4,571	3,232	84	21,848
Amortisation of intangible assets	60	19	40	205	324
Unallocated depreciation					3,372
					25,544
Loss on disposal of items of property, plant and equipment	1,312	212	–	–	1,524
Write-off of intangible assets	–	–	–	19	19
Write-off of rental deposits	465	–	–	–	465
Write-off of trade and bills receivables	–	–	–	4	4
Impairment of items of property, plant and equipment	2,426	–	–	–	2,426

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

Non-current assets

	2011 HK$'000	2010 HK$'000 (restated)
Hong Kong and Macau	**66,213**	55,301
Mainland China	**27,612**	15,788
Taiwan	**8,538**	3,990
Elsewhere	**1,070**	1,242
	103,433	76,321

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Group 2011 HK$'000	2010 HK$'000
Revenue		
Sale of garment products and accessories	**1,011,704**	793,792
Other income		
Bank interest income	**607**	412
Others	**2,484**	2,458
	3,091	2,870
Gains		
Foreign exchange differences, net	**1,427**	738
	4,518	3,608

6. PROFIT BEFORE TAX

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

	Notes	Group **2011** **HK$'000**	 2010 HK$'000 (restated)
Cost of inventories sold		**301,728**	216,831
Depreciation	13	**27,614**	25,220
Provision for slow-moving inventories, net, included in cost of sales		**1,786**	20,539
Rental expenses under operating leases in respect of equipment:			
Minimum lease payments		**598**	500
Contingent rents		**141**	99
		739	599
Rental expenses under operating leases in respect of land and buildings:			
Minimum lease payments		**200,600**	172,162
Contingent rents		**48,123**	32,080
		248,723	204,242
Auditors' remuneration		**2,014**	1,762
Employee benefit expenses (excluding directors' remuneration (note 7)):			
Wages, salaries and other benefits		**158,463**	128,057
Equity-settled share option expense		**1,282**	–
Pension scheme contributions*		**8,417**	6,586
		168,162	134,643
Loss on disposal of items of property, plant and equipment		**979**	1,524
Amortisation of intangible assets	14	**340**	324
Write-off of intangible assets	14	**14**	19
Write-off of rental deposits		**111**	465
Write-off of trade and bills receivables		**–**	4
Impairment of trade and bills receivables	19	**1**	–
Impairment of items of property, plant and equipment	13	**4,518**	2,426

* 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 (2010: Nil).

7. DIRECTORS' REMUNERATION

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

	Group	
	2011	2010
	HK$'000	HK$'000
Fees	**396**	360
Other emoluments:		
Salaries, allowances and benefits in kind	**3,682**	3,604
Equity-settled share option expense	**227**	–
Performance related bonuses*	**848**	936
Pension scheme contributions	**36**	36
	4,793	4,576
	5,189	4,936

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

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 25 to the financial statements. The fair value of such options which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

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

	2011	2010
	HK$'000	HK$'000
Mr. Chu To Ki	**132**	120
Mr. Mak Wing Kit	**132**	120
Dr. Wong Yun Kuen	**132**	120
	396	360

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

7. 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
2011						
Mr. Wong Yui Lam	**–**	**1,300**	**300**	**–**	**12**	**1,612**
Madam Lee Yuk Ming	**–**	**1,251**	**274**	**128**	**12**	**1,665**
Mr. Yeung Yat Hang	**–**	**1,131**	**274**	**99**	**12**	**1,516**
	–	**3,682**	**848**	**227**	**36**	**4,793**
2010						
Mr. Wong Yui Lam	–	1,300	400	–	12	1,712
Madam Lee Yuk Ming	–	1,212	268	–	12	1,492
Mr. Yeung Yat Hang	–	1,092	268	–	12	1,372
	–	3,604	936	–	36	4,576

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2010: three) executive directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining two (2010: two) non-director, highest paid employees for the year are as follows:

	Group 2011 HK$'000	2010 HK$'000
Salaries, allowances and benefits in kind	**2,100**	2,100
Equity-settled share option expense	**166**	–
Performance related bonuses	**900**	900
Pension scheme contributions	**24**	24
	3,190	3,024

8. 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 2011	2010
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1
	2	2

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

The PRC corporate income tax ("CIT") is applicable to the five (2010: three) subsidiaries located in Mainland China, where two (2010: two) of them are subject to the concessionary CIT tax rates. Accordingly, these subsidiaries were subject to the applicable CIT rates ranging from 22% to 25% during the financial year ended 31 March 2011.

For the subsidiaries in Macau, one of them (2010: one) was incorporated under the Macau Offshore Business Law and exempted from the Macau complementary tax pursuant to the Macau Special Administrative Region's offshore law.

	Group 2011 HK$'000	2010 HK$'000
Current tax – Hong Kong		
Provision for the year	**19,361**	8,910
Overprovision in prior years	**(430)**	(177)
Current tax – Elsewhere		
Provision for the year	**21,883**	12,877
Under/(over)provision in prior years	**610**	(2,831)
Deferred tax charge/(credit) (note 17)	**(8,152)**	477
Total tax charge for the year	**33,272**	19,256

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:

9. INCOME TAX *(Continued)*

Group

2011

	Hong Kong HK$'000	%	Elsewhere HK$'000	%	Total HK$'000	%
Profit before tax	**77,321**		**71,478**		**148,799**	
Tax at the statutory tax rate	**12,758**	**16.5**	**13,624**	**19.1**	**26,382**	**17.7**
Lower tax rate for specific provinces or enacted by local authority	**–**	**–**	**(853)**	**(1.2)**	**(853)**	**(0.5)**
Adjustments in respect of current tax of previous periods	**(430)**	**(0.5)**	**610**	**0.8**	**180**	**0.1**
Income not subject to tax	**(141)**	**(0.2)**	**(1,387)**	**(1.9)**	**(1,528)**	**(1.0)**
Expenses not deductible for tax	**397**	**0.5**	**402**	**0.5**	**799**	**0.5**
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**–**	**–**	**2,710**	**3.8**	**2,710**	**1.8**
Temporary differences not recognised	**882**	**1.1**	**(941)**	**(1.3)**	**(59)**	**–**
Tax losses not recognised	**1,286**	**1.7**	**4,355**	**6.1**	**5,641**	**3.8**
Tax charge at the Group's effective rate	**14,752**	**19.1**	**18,520**	**25.9**	**33,272**	**22.4**

2010

	Hong Kong HK$'000	%	Elsewhere HK$'000	%	Total HK$'000	%
Profit before tax	40,202		62,082		102,284	
Tax at the statutory tax rate	6,633	16.5	13,044	21.0	19,677	19.2
Lower tax rate for specific provinces or enacted by local authority	–	–	(842)	(1.4)	(842)	(0.8)
Adjustments in respect of current tax of previous periods	(177)	(0.5)	(2,831)	(4.5)	(3,008)	(2.9)
Income not subject to tax	(40)	(0.1)	(742)	(1.2)	(782)	(0.8)
Expenses not deductible for tax	678	1.7	88	0.1	766	0.7
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	–	–	1,560	2.5	1,560	1.5
Temporary differences not recognised	(243)	(0.6)	1,789	2.9	1,546	1.5
Tax losses utilised from previous periods	(137)	(0.3)	–	–	(137)	(0.1)
Tax losses not recognised	320	0.8	156	0.3	476	0.5
Tax charge at the Group's effective rate	7,034	17.5	12,222	19.7	19,256	18.8

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 March 2011 includes a profit of HK$44,784,000 (2010: HK$65,365,000) which has been dealt with in the financial statements of the Company (note 26(b)).

11. DIVIDENDS

	2011	2010
	HK$'000	HK$'000
Interim – HK2.0 cents (2010: HK2.0 cents) per ordinary share	**7,189**	7,189
Proposed final – HK10.7 cents (2010: HK8.5 cents) per ordinary share	**38,461**	30,553
Proposed special – HK5.0 cents (2010: HK5.0 cents) per ordinary share	**17,973**	17,973
	63,623	55,715

The proposed final and proposed special dividends for the current year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the parent of HK$115,527,000 (2010: HK$83,028,000) and the number of ordinary shares in issue during the year of 359,450,000 (2010: 359,450,000).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2011 and 2010 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

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

Group

	Land and buildings HK$'000 (restated)	Leasehold improvements HK$'000	Plant and machinery HK$'000	Computer equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000 (restated)
31 March 2010							
At 1 April 2009:							
Cost	27,232	75,412	4,891	10,451	22,695	2,552	143,233
Accumulated depreciation and impairment	(2,183)	(43,422)	(1,625)	(6,658)	(12,443)	(1,923)	(68,254)
Net carrying amount	25,049	31,990	3,266	3,793	10,252	629	74,979
At 1 April 2009, net of accumulated depreciation and impairment	25,049	31,990	3,266	3,793	10,252	629	74,979
Additions	1,994	9,073	306	974	1,519	776	14,642
Depreciation provided during the year	(544)	(18,260)	(588)	(1,677)	(3,772)	(379)	(25,220)
Disposals	–	(933)	(2)	(57)	(406)	(467)	(1,865)
Impairment	–	(2,426)	–	–	–	–	(2,426)
Exchange realignment	–	250	33	6	36	–	325
At 31 March 2010, net of accumulated depreciation and impairment	26,499	19,694	3,015	3,039	7,629	559	60,435
At 31 March 2010:							
Cost	29,226	70,806	5,239	10,957	23,258	2,744	142,230
Accumulated depreciation and impairment	(2,727)	(51,112)	(2,224)	(7,918)	(15,629)	(2,185)	(81,795)
Net carrying amount	26,499	19,694	3,015	3,039	7,629	559	60,435

At 31 March 2011, certain of the Group's land and buildings with an aggregate net book value of approximately HK$9,366,000 (2010: HK$9,583,000) were pledged to secure general banking facilities granted to the Group.

The Group's land and buildings included in property, plant and equipment with net carrying amounts of HK$69,130,000 and HK$3,346,000 (2010: HK$23,080,000 (restated) and HK$3,419,000 (restated)) are situated in Hong Kong and Macau, respectively, and are held under medium term leases.

14. INTANGIBLE ASSETS

Trademarks

	Group 2011 HK$'000	Group 2010 HK$'000
At 1 April:		
Cost	**4,022**	3,934
Accumulated amortisation and impairment	**(2,297)**	(2,008)
Net carrying amount	**1,725**	1,926
Cost at beginning of year, net of accumulated amortisation and impairment	**1,725**	1,926
Additions	**343**	142
Amortisation provided during the year (note 6)	**(340)**	(324)
Write-off during the year (note 6)	**(14)**	(19)
At 31 March	**1,714**	1,725
At 31 March:		
Cost	**4,309**	4,022
Accumulated amortisation and impairment	**(2,595)**	(2,297)
Net carrying amount	**1,714**	1,725

15. INTERESTS IN SUBSIDIARIES

	Company 2011 HK$'000	Company 2010 HK$'000
Unlisted shares, at cost	**143,631**	143,631
Capital contribution in respect of employee share-based compensation	**1,509**	–
	145,140	143,631

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

15. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows:

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

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

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

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

16. HELD-TO-MATURITY DEBT SECURITIES

	Group 2011 HK$'000	2010 HK$'000
Unlisted bonds, at amortised cost	**1,668**	3,552
Current portion	**(780)**	(1,949)
Non-current portion	**888**	1,603

These unlisted bonds have an aggregate nominal value of RMB1,390,000 (2010: RMB3,080,000), bear interest at rates ranging from 2.25% to 2.70% (2010: 2.25% to 3.35%) per annum and will mature between 2011 and 2012 (2010: 2010 and 2012). The amortised costs of the held-to-maturity debt securities have been computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount.

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 31 March 2009 and 1 April 2009 (restated)	2,060	136	6,690	(1,830)	3,992	11,048
Deferred tax credited/(charged) to profit or loss during the year (restated)*	1,053	(37)	600	(1,560)	(616)	(560)
Exchange realignment	–	–	–	–	15	15
At 31 March 2010 and 1 April 2010 (restated)	3,113	99	7,290	(3,390)	3,391	10,503
Deferred tax credited/(charged) to profit or loss during the year*	327	(26)	9,890	(2,710)	884	8,365
Exchange realignment	–	–	–	–	201	201
At 31 March 2011	3,440	73	17,180	(6,100)	4,476	19,069

17. DEFERRED TAX *(Continued)*

Group *(Continued)*

Deferred tax liabilities

	Accelerated tax depreciation HK$'000
At 1 April 2009 (restated)	1,367
Deferred tax credited to profit or loss during the year (restated)*	(83)
At 31 March 2010 and 1 April 2010 (restated)	1,284
Deferred tax charged to profit or loss during the year*	213
At 31 March 2011	1,497

* The total deferred tax credited to profit or loss during the year amounted to HK$8,152,000 (2010: deferred tax charge of HK$477,000) (note 9).

At the end of the reporting period, the Group had tax losses arising in Hong Kong of HK$10,573,000 (2010: HK$2,669,000) 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$17,112,000 (2010: Nil) that will expire in four to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. 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 2011, deferred tax liabilities have not been provided in respect of the unremitted retained earnings of the Group's subsidiaries after 1 January 2008 amounted to HK$61,205,000 (2010: HK$33,932,000) 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	
	2011 **HK$'000**	2010 HK$'000
Raw materials	**19,344**	20,390
Work in progress	**6,947**	8,313
Finished goods	**175,391**	95,901
	201,682	124,604

19. TRADE AND BILLS RECEIVABLES

	Group 2011 HK$'000	2010 HK$'000
Trade and bills receivables	**34,023**	23,258
Impairment	**(1)**	–
	34,022	23,258

Retail sales are made on cash terms or by credit card with very short credit terms. Wholesales are made to customers with general credit terms ranging from 30 days to 60 days, except for certain well-established customers with a long business relationship with the Group, where the terms are extended, while no credit terms were granted to sales to franchisees. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.

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

	Group 2011 HK$'000	2010 HK$'000
Within 90 days	**33,914**	23,219
91 to 180 days	**35**	33
181 to 365 days	**73**	6
	34,022	23,258

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

	Group 2011 HK$'000	2010 HK$'000
At 1 January	**–**	4,152
Exchange realignment	**–**	329
Impairment losses recognised (note 6)	**1**	–
Amount written off as uncollectible	**–**	(4,481)
	1	–

19. TRADE AND BILLS RECEIVABLES *(Continued)*

Included in provision for impairment of trade and bills receivables as at 31 March 2011 is a provision for individually impaired trade receivables of HK$1,000 with a carrying amount of HK$1,000. The individually impaired trade and bills receivables relate to a customer that is in financial difficulties or in liquidation and are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**33,908**	22,844
Less than 3 months past due	**5**	376
3 to less than 12 months past due	**109**	38
	34,022	23,258

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. The Group does not hold any collateral or other credit enhancements over these balances.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**21,183**	10,883	**142**	141
Deposits and other receivables	**7,455**	5,801	**–**	–
	28,638	16,684	**142**	141

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**150,284**	217,135	**328**	625
Non-pledged time deposits with original maturity of less than three months when acquired	**3,650**	3,480	**–**	–
Cash and cash equivalents	**153,934**	220,615	**328**	625

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$70,309,536 (2010: HK$79,702,000). 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. Time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and time deposits 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	
	2011	2010
	HK$'000	HK$'000
Within 90 days	**21,551**	13,509
91 to 180 days	**49**	65
181 to 365 days	**373**	179
Over 365 days	**11**	–
	21,984	13,753

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

23. OTHER PAYABLES AND ACCRUALS

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

24. SHARE CAPITAL

Shares

	Company 2011 HK$'000	2010 HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
359,450,000 ordinary shares of HK$0.1 each	**35,945**	35,945

Details of the Company's share option scheme and the share options issued under the scheme are included in note 25 to the financial statements.

25. 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.

25. SHARE OPTION SCHEME *(Continued)*

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 2 December 2010, the Board resolved to grant a total of 9,840,000 share options to certain directors and employees of the Group to subscribe for shares of HK$0.10 each in the Company, subject to acceptance by the grantees, under the share option scheme adopted by the Company on 22 April 2005 as rewards for the grantees' contribution to the continual operation and development of the Group.

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

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

	2011	
	Weighted average exercise price HK$ per share	**Number of options** '000
At 1 April	–	–
Granted during the year	3.354	9,840
At 31 March	3.354	9,840

No share options were exercised during the year.

The fair value of the share options granted during the year was HK$8,174,000 (HK$0.83 each) of which the Group recognised a share option expense of HK$1,509,000 during the year ended 31 March 2011.

25. 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:

2011

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

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

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

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

At the end of the reporting period, the Company had 9,840,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 9,840,000 additional ordinary shares of the Company and additional share capital of HK$984,000 and share premium of HK$32,019,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 9,840,000 share options outstanding under the Scheme, which represented approximately 2.7% of the Company's shares in issue as at that date.

26. RESERVES

(a) Group

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

26. RESERVES *(Continued)*

(a) Group *(Continued)*

The Group's contributed surplus as at 31 March 2011 and 2010 comprised (i) the waiver of an amount of HK$2,046,000 due to a company owned by a controlling shareholder of the Group in a prior year; (ii) the difference of HK$1,836,000 between the nominal value of the shares of the subsidiaries acquired, and the share capital of the Company issued in exchange pursuant to the group reorganisation; (iii) a transfer of HK$3,875,000 from the share premium account upon group reorganisation; and (iv) net-off the distribution of a special interim dividend of HK$7,013,000 in a prior year.

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

(b) Company

	Note	Share premium account HK$'000	Contributed surplus** HK$'000	Share option reserve HK$'000	Proposed dividends HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2009		87,875	136,518	–	30,553	66,370	321,316
Total comprehensive income for the year		–	–	–	–	65,365	65,365
Final 2009 dividend declared		–	–	–	(19,770)	–	(19,770)
Special 2009 dividend declared		–	–	–	(10,783)	–	(10,783)
Interim 2010 dividend	11	–	–	–	–	(7,189)	(7,189)
Proposed final 2010 dividend	11	–	–	–	30,553	(30,553)	–
Proposed special 2010 dividend	11	–	–	–	17,973	(17,973)	–
At 31 March 2010 and 1 April 2010		87,875*	136,518*	–	48,526	76,020*	348,939
Total comprehensive income for the year		–	–	–	–	44,784	44,784
Equity-settled share option arrangements		–	–	1,509	–	–	1,509
Final 2010 dividend declared		–	–	–	(30,553)	–	(30,553)
Special 2010 dividend declared		–	–	–	(17,973)	–	(17,973)
Interim 2011 dividend	11	–	–	–	–	(7,189)	(7,189)
Proposed final 2011 dividend	11	–	–	–	38,461	(38,461)	–
Proposed special 2011 dividend	11	–	–	–	17,973	(17,973)	–
At 31 March 2011		87,875*	136,518*	1,509*	56,434	57,181*	339,517

* These reserve accounts comprise the reserves of HK$283,083,000 (2010: HK$300,413,000) in the statement of financial position of the Company.

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

27. CONTINGENT LIABILITIES

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

	Group	
	2011	2010
	HK$'000	HK$'000
Bank guarantees given in lieu of utility and property rental deposits	**5,473**	7,696

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

28. OPERATING LEASE ARRANGEMENTS

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 ten 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:

	2011	2010
	HK$'000	HK$'000
Within one year	**204,473**	146,618
In the second to fifth years, inclusive	**229,713**	136,632
Over five years	**10,129**	2,963
	444,315	286,213

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 2011 (2010: Nil).

29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28 above, the Group and the Company had no material capital commitments contracted, but not provided for in the financial statements as at 31 March 2011 (2010: Nil).

30. RELATED PARTY TRANSACTIONS

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

	Notes	2011 HK$'000	2010 HK$'000
Computer system maintenance charges paid to related companies	(i)	**1,284**	870
Purchases of computer equipment from related companies	(ii)	**1,499**	196
Rental expenses paid to a related company	(iii)	**–**	143
Purchase of car parks from a related company	(iv)	**–**	1,980
Purchase of a used car from a related company	(v)	**–**	230
Sale of a used car to a related company	(vi)	**–**	340

Notes:

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

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

(iii) In the prior year, the rental expenses paid to a related company were determined between the parties with reference to the prevailing market rent.

(iv) In the prior year, the purchase of car parks from a related company was determined between parties with reference to the prevailing market price.

(v) In the prior year, the purchase of a used car from a related company was determined between parties with reference to the prevailing market price.

(vi) In the prior year, the sale of a used car to a related company was determined between parties with reference to the prevailing market price.

The related companies referred to in notes (i) and (ii) are companies controlled by a close family member of a director of the Company. The related companies referred to in notes (iii), (iv) and (v) are companies controlled by directors of the Company. The related company referred to in note (vi) is a company controlled by a beneficial shareholder of the Company.

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

(b) All compensation of key management personnel of the Group is included in the directors' remuneration and the five highest paid employees as set out respectively in notes 7 and 8 to the financial statements.

31. 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:

2011

Financial assets

	Group		
	Loans and receivables HK$'000	**Held-to-maturity investments** HK$'000	**Total** HK$'000
Held-to-maturity debt securities	–	1,668	1,668
Financial assets included in rental, utility and other non-current deposits	64,963	–	64,963
Trade and bills receivables	34,022	–	34,022
Financial assets included in prepayments, deposits and other receivables (note 20)	7,455	–	7,455
Cash and cash equivalents	153,934	–	153,934
	260,374	1,668	262,042

Financial liabilities

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

31. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

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

2010

Financial assets

	Group		
	Loans and receivables HK$'000	Held-to-maturity investments HK$'000	Total HK$'000
Held-to-maturity debt securities	–	3,552	3,552
Financial assets included in rental, utility and other non-current deposits	49,515	–	49,515
Trade and bills receivables	23,258	–	23,258
Financial assets included in prepayments, deposits and other receivables (note 20)	5,801	–	5,801
Cash and cash equivalents	220,615	–	220,615
	299,189	3,552	302,741

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	13,753
Financial liabilities included in other payables and accruals	20,491
	34,244

Financial assets

	Company	
	2011 Loans and receivables HK$'000	2010 Loans and receivables HK$'000
Due from subsidiaries	**229,864**	240,498
Cash and cash equivalents	**328**	625
	230,192	241,123

31. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

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

Financial liabilities

	Company	
	2011	2010
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	HK$'000
Other payables	**7**	5

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and time deposits. 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 and bills 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 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:

Foreign currency risk

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

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

Foreign currency risk *(Continued)*

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
2011			
If Hong Kong dollar weakens against RMB	**(1)**	**1,479**	**–**
If Hong Kong dollar strengthens against RMB	**1**	**(1,479)**	**–**
2010			
If Hong Kong dollar weakens against RMB	(1)	1,296	–
If Hong Kong dollar strengthens against RMB	1	(1,296)	–

* Excluding retained profits

Credit risk

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

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 19 to the financial statements.

32. 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 and bills 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

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

		2010		
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Total HK$'000
Trade payables	1,244	12,509	–	13,753
Other payables	17,268	3,220	3	20,491
Guarantees given to banks in connection with facilities granted to subsidiaries	7,696	–	–	7,696
	26,208	15,729	3	41,940

Company

	2011 On demand HK$'000	2010 On demand HK$'000
Other payables	**7**	5

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

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 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 2011 and 31 March 2010.

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:

	2011 **HK$'000**	2010 HK$'000 (restated)
Total current assets	**419,227**	387,571
Total current liabilities	**126,461**	84,825
Current ratio	**3.3**	4.6

33. EVENT AFTER THE REPORTING PERIOD

On 7 April 2011, the Group entered into sale and purchase agreements with an independent third party to acquire certain land and buildings situated in Hong Kong for aggregate cash consideration of HK$56,560,000. These transactions are scheduled to be completed on 22 July 2011.

34. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 April 2009 has been presented.

Certain comparative amounts on the consolidated statement of financial position have been reclassified to conform with the current year's presentation.

Deferred tax liabilities of HK$3,390,000 and HK$1,830,000 were reclassified to offset with deferred tax assets for the years ended 31 March 2010 and 31 March 2009, respectively.

In the opinion of the directors, such reclassifications would produce a more appropriate presentation of the Group's results and state of affairs.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 June 2011.

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

	Year ended 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	**1,011,704**	793,792	745,599	617,612	509,248
Cost of sales	**(303,514)**	(237,370)	(232,233)	(204,353)	(184,580)
Gross profit	**708,190**	556,422	513,366	413,259	324,668
Other income and gains	**4,518**	3,608	2,909	5,889	4,931
Selling and distribution costs	**(458,484)**	(368,927)	(348,727)	(260,831)	(198,036)
Administrative expenses	**(99,431)**	(82,139)	(83,881)	(77,564)	(58,953)
Other expenses	**(5,994)**	(6,680)	(8,012)	(1,369)	(5,848)
Finance costs	**–**	–	–	–	(236)
PROFIT BEFORE TAX	**148,799**	102,284	75,655	79,384	66,526
Income tax expense	**(33,272)**	(19,256)	(14,886)	(12,349)	(9,301)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**115,527**	83,028	60,769	67,035	57,225
DIVIDENDS	**63,623**	55,715	37,742	48,526	39,319

	As at 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)	(restated)		
ASSETS AND LIABILITIES					
TOTAL ASSETS	**622,896**	512,047	453,923	432,493	373,389
TOTAL LIABILITIES	**(127,958)**	(86,109)	(75,576)	(68,522)	(43,573)
	494,938	425,938	378,347	363,971	329,816