bauhaus

annual report 2013

BAUHAUS INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code:483)

Contents


bauhaus


TOUGH
TOUGH
TOUGH
TOUGH

Segment Turnover

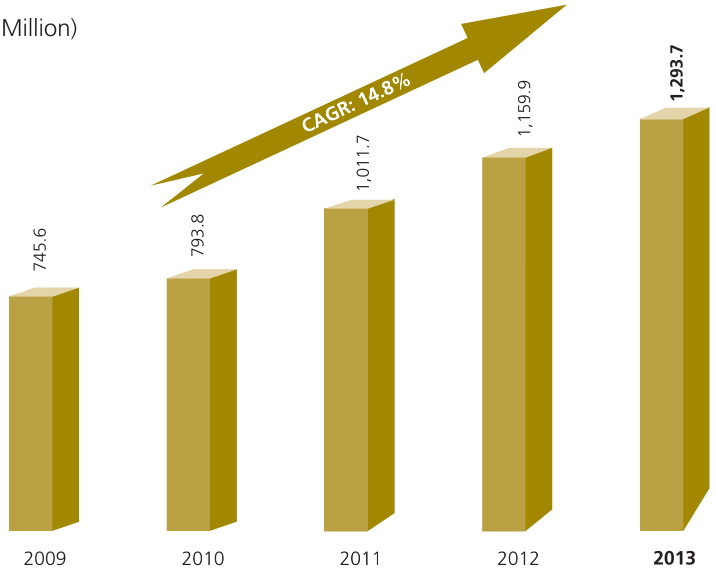
Market	Turnover			Turnover Composition		
	FY 2012/13 HK$ million	FY 2011/12 HK$ million	Change %	FY 2012/13 %	FY 2011/12 %	Change % pts
By Region						
Hong Kong & Macau	880.1	756.2	16.4%	68.0%	65.2%	2.8%
Taiwan	222.3	205.5	8.2%	17.2%	17.7%	-0.5%
Mainland China	152.4	176.4	-13.6%	11.8%	15.2%	-3.4%
Elsewhere	38.9	21.8	78.4%	3.0%	1.9%	1.1%
	1,293.7	1,159.9	11.5%	100.0%	100.0%	
By Business						
Retail	1,230.7	1,097.5	12.1%	95.1%	94.6%	0.5%
Franchise	23.8	39.7	-40.1%	1.9%	3.4%	-1.5%
Wholesales	39.2	22.7	72.7%	3.0%	2.0%	1.0%
	1,293.7	1,159.9	11.5%	100.0%	100.0%	

Retail network

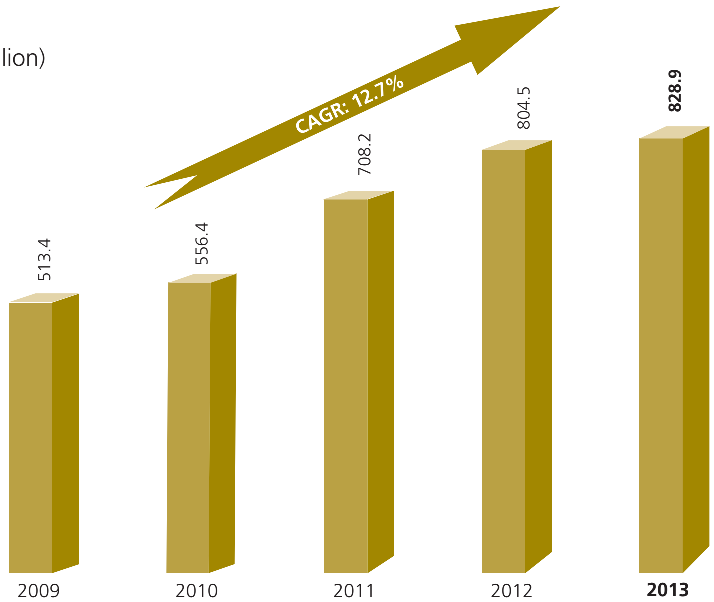
		no. of outlets			
		Hong Kong & Macau	Taiwan	Mainland China	TOTAL
As at 31 March 2013					
Self-managed retail network					
In-House Brand	BAUHAUS	36	13	12	61
	TOUGH	7	28	13	48
	SALAD	18	12	4	34
	80/20	6	–	–	6
	Others	4	6	–	10
Licensed Brand	SUPERDRY	8	18	1	27
Sub-total number of shops		79	77	30	186
Aggregate sales footage (in sq. feet)		93,562	59,636	48,640	201,838
Franchise network					
TOUGH		–	–	21	21
TOUGH & SALAD*		–	–	7	7
Sub-total number of shops		–	–	28	28
TOTAL number of shops		79	77	58	214
As at 31 March 2012					
Self-managed retail network					
In-House Brand	BAUHAUS	39	13	13	65
	TOUGH	8	29	26	63
	SALAD	13	12	5	30
	80/20	7	1	–	8
	Others	5	6	–	11
Licensed Brand	SUPERDRY	7	17	1	25
Sub-total number of shops		79	78	45	202
Aggregate sales footage (in sq. feet)		99,163	59,105	63,305	221,573
Franchise network					
TOUGH		–	–	34	34
SALAD		–	–	8	8
Sub-total number of shops		–	–	42	42
TOTAL number of shops		79	78	87	244

* Dual-branded shops

Sales Growth (HK$ Million)



Gross Profit (HK$ Million)



Net Profit (HK$ Million)

bauhaus

FALL / WINTER 2012 LEATHER JACKET ISSUE

		Notes	FY 12/13	FY 11/12	Change +/-
Key Financial Ratios					
Performance					
Gross Margin	(%)	1	**64.1**	69.4	-5.3% pts.
Net Profit Margin	(%)	2	**7.7**	6.5	1.2% pt.
Return on Average Equity	(%)	3	**17.8**	15.0	2.8% pts.
Return on Average Assets	(%)	4	**13.6**	11.4	2.2% pts.
Operating					
Inventory Turnover Days		5	**208**	243	-35 days
Debtors' Turnover Days		6	**12**	10	2 days
Creditors' Turnover Days		7	**21**	22	-1 day
Liquidity and Gearing					
Current Ratio		8	**3.4**	2.2	54.5%
Quick Ratio		9	**1.8**	0.8	125.0%
Gearing Ratio	(%)	10	**5.6**	6.6	-1.0% pt.
Per Share Data					
Book Value Per Share	(HK cents)	11	**165.9**	143.8	15.4%
Basic Earnings Per Share	(HK cents)	12	**27.6**	21.1	30.8%
Diluted Earnings Per Share	(HK cents)	13	**27.6**	20.1	37.3%
Dividend Per Share					
Interim	(HK cents)		**1.0**	2.0	-50.0%
Proposed Final	(HK cents)		**10.1**	6.5	55.4%
			11.1	8.5	30.6%
Dividend Payout Ratio	(%)	14	**40.2**	40.3	-0.1% pt.

Notes:

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

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

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

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

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

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

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

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

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

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

11 "Book Value Per Share" represents shareholders' equity divided by the total number of issued shares at the end of the reporting period of 359,450,000 (2012: 359,450,000).

12 "Basic Earnings Per Share" is calculated as the profit for the year attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the year under review of 359,450,000 (2012: 359,450,000).

13 "Diluted Earnings Per Share" is calculated as the profit for the year attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the year under review and all dilutive potential ordinary shares of 359,450,000 (2012: 361,189,207) in aggregate.

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

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

DIRECTORS
Executive directors:

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

Independent non-executive directors:

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

COMPANY SECRETARY
Mr. Li Kin Cheong, CPA, FCCA

QUALIFIED ACCOUNTANT
Mr. Li Kin Cheong, CPA, FCCA

AUTHORISED REPRESENTATIVES
Mr. Wong Yui Lam
Madam Lee Yuk Ming

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

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

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

PRINCIPAL AUDITORS
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Hong Kong

PRINCIPAL BANKERS
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Corporation Limited
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Hong Kong

Bank of China (Hong Kong) Limited
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Kowloon City
Kowloon
Hong Kong

REGISTERED OFFICE
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Cayman Islands

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

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

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

Listing information

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

Share information

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

Shares	**As at 31 March 2013** No. of shares	**As at 31 March 2012** No. of shares
Authorised shares	2,000,000,000	2,000,000,000
Issued shares	359,450,000	359,450,000

	FY 2012/13 HK cents	**FY 2011/12** HK cents
Basic earnings per share	27.6	21.1
Diluted earnings per share	27.6	21.0
Dividend per share		
Interim	1.0	2.0
Proposed final	10.1	6.5
TOTAL	11.1	8.5

Key dates

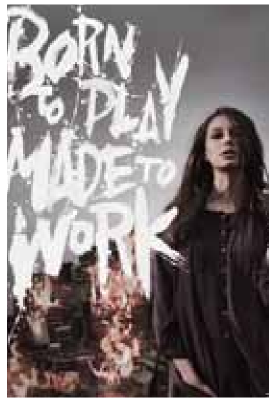
2011/12 annual results announcement	21 June 2012
Closure of Register of Members for 2011/12 annual general meeting	14 August 2012 to 16 August 2012 *(both days inclusive)*
2011/12 annual general meeting	16 August 2012
Closure of Register of Members for 2011/12 proposed final dividend	22 August 2012 to 24 August 2012 *(both days inclusive)*
Payment of 2011/12 final dividend	20 September 2012
2012/13 interim results announcement	23 November 2012
Closure of Register of Members for 2012/13 interim dividend	16 January 2013 to 18 January 2013 *(both days inclusive)*
Payment of 2012/13 interim dividend	7 February 2013
2012/13 annual results announcement	21 June 2013
Closure of Register of Members for 2012/13 annual general meeting	30 August 2013 to 3 September 2013 *(both days inclusive)*
2012/13 annual general meeting	3 September 2013
Closure of Register of Members for 2012/13 proposed final dividend	10 September 2013 to 12 September 2013 *(both days inclusive)*
Payable of proposed final dividend	27 September 2013
Internet website	www.bauhaus.com.hk
Financial year end	31 March
Interim period end	30 September

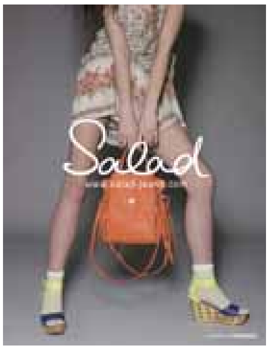

EIGHTY
TWENTY

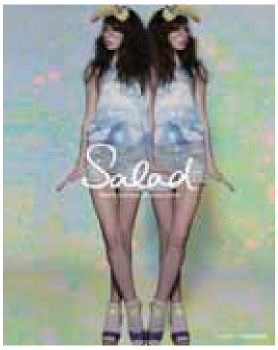

EIGHTY
TWENTY


BORN TO PLAY
MADE TO WORK


BORN TO PLAY
MADE TO WORK


BORN TO PLAY
MADE TO WORK


Salad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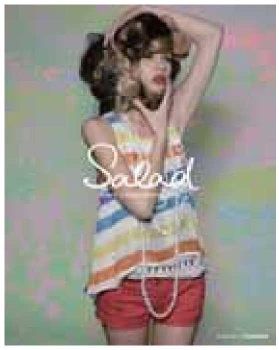
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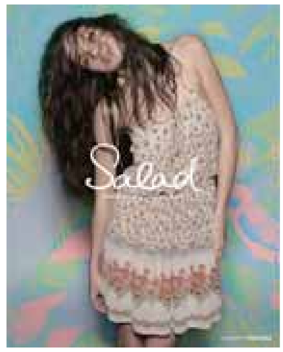
Salad


Salad


Salad


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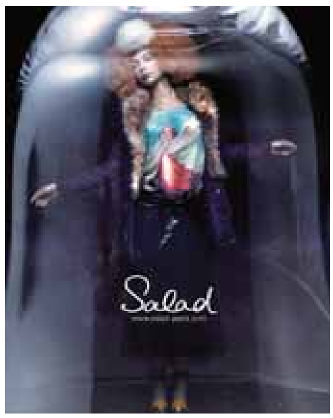
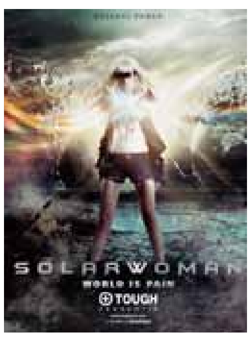

Salad


Salad

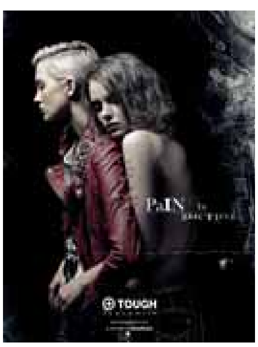

WITCHYWOMAN
WORLD IS PAIN
TOUGH


TRUTHMAN
WORLD IS PAIN
TOUGH


SOLARWOMAN
WORLD IS PAIN
TOUGH


DARKMAN
WORLD IS PAIN
TOUGH


TOUGH


TOUGH


Superdry.


Superdry.


TOUGH Jeansmith
3.1 Remade Party
Tough


Superdry.


Superdry.


Salad
Carry me


Salad
Salad


TOUGH
Jeansmith
TOUGH
Jeansmith


bauhaus


TOUGH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Salad
SALAD


THE
EIGHTY
TWENTY
80/20


Salad

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 2013.

Over the past 12 months, the global economic climate has remained unpredictable. Moreover, the slowdown of Mainland economy had a knock-on effect across Asia, including our key retail markets of Hong Kong & Macau, Taiwan and cities across the border. Compounding matters has been skyrocketing rent, particularly in Hong Kong and parts of Mainland China, along with escalating labour and raw material costs, all of which placed a heavy burden on the Group and other retail players.

Despite the strong headwind confronted, we were still able to achieve relatively stable sales performance, which saw a recovery in the second half of the financial year. Overall, the Group realised double-digit growth in revenue when compared with the preceding year. The upturn can be attributed to our ability to quickly adopt effective countermeasures, including a three-pronged strategy consisting of marketing efforts aimed at brand revitalization, sales network consolidation and cost effectiveness enhancement.

Elevating Bauhaus' brands through well-focused marketing campaigns

For the past several years, we have continuously strengthened Bauhaus' reputation as a brand synonymous with trendy fashion. While our product lines and labels have been well received, we have not grown complacent. Case in point, we launched a comprehensive "Salad – Carry Me" marketing campaign that generated tremendously positive response from the public. It has also raised the profile of the Group's in-house brands as a whole.

Mindful of the need to balance effective promotions with financial accountability, we will continue to direct our marketing resources wisely toward products that have high growth potential, as well as time promotions during traditional peak seasons, particularly in the second half of financial year, to create maximum impact and maximum return on investment. The Group believes that brand reputation and sales performance go hand in hand, and is confident that it will continue to maintain its leading position and enhance competitiveness through various innovative marketing efforts.

Consolidating the retail network to maintain healthy growth

While bolstering sales is certainly essential, we are also aware that escalating rent can undermine such efforts. With increasing competition for retail spaces and luxury retailers vying for prime locations, the cost of rent has climbed considerably, particularly in our principal market of Hong Kong. We have therefore elected to relocate certain shops to more reasonably priced sites or strategically open new stores in locations that are near existing operations which we expect to close due to rental increases.

Along with managing rent, we are committed to maintaining effective operational scale. Correspondingly, we have closed certain underperforming or less cost-effective stores, particularly in Mainland China, which had a stimulating effect as the sales performance of our remaining stores picked up, with same-store-sales rising in the second half of the financial year. The Group will remain a flexible approach to monitor performance of each individual store and adjust its portfolio in a timely manner.

The Group will also seek to enhance efficiency by fine-tuning the current shop mix. We will also regularly renovate our retail stores to ensure that they present a trendy, attractive appearance consistent with the Bauhaus brand, being essential as well for maintaining competitiveness in the retail market.

Implementing cost controls and sustaining a sound financial position

Maintaining a healthy inventory level and stable financial position are always the top priority of the Group. Adhere to this strategy, we continued to offer several promotions and bargain sales to stimulate sales growth. The measures helped to reduce slow-moving inventory and improved the Group's capital and cash position, boosting our overall financial position.

On the operations front, the Group closely examined the current work flow with the goal of further enhancing efficiency. This has led to the streamlining of back-office support and adopting a more effective incentive programme for motivating sales staff and raising productivity.

Looking ahead, we will continue to implement a series of measures designed to improve our business performance and raise awareness of our brands. We are confident that the solid foundation we have cultivated over the years will enable the Group to maintain its position as a leading fashion brand in the industry.

Appreciation

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

Wong Yui Lam
Chairman

Hong Kong, 21 June 2013

BUSINESS REVIEW

During the year ended 31 March 2013, the global economic climate has remained unpredictable. Moreover, the slowdown of Mainland economy had a knock-on effect across Asia, including our key retail markets of Hong Kong & Macau, Taiwan and cities across the border. Despite the strong headwind confronted, the Group was still able to achieve relatively stable sales performance, which saw a recovery in the second half of the financial year. The achievement mainly contributed to the Group's prompt measures taken to cope with adverse market conditions and highly focused marketing strategies. The Group eventually achieved a record-high sales of about HK$1,293.7 million (2012: HK$1,159.9 million), a growth of about 11.5%.

The gross profit increased to about HK$828.9 million (2012: HK$804.5 million). Although, the gross margin was trimmed by about 5.3 percentage points to approximately 64.1% (2012: 69.4%) for the year ended 31 March 2013, the cash position and working capital were significantly improved after a series of stock clearance exercises. Including certain one-off exceptional income and gain of about HK$33.0 million in aggregate, the net profit increased by about 30.8% to about HK$99.3 million (2012: HK$75.9 million).

As at 31 March 2013, the Group had a total of 214 shops (2012: 244) in operation.

	As at 31 March 2013	As at 31 March 2012	Change
Self-managed outlets			
Hong Kong & Macau	**79**	79	–
Taiwan	**77**	78	-1
Mainland China	**30**	45	-15
	186	202	-16
Franchised outlets			
Mainland China	**28**	42	-14
TOTAL	**214**	244	-30

Hong Kong and Macau

Sales from retail operations in Hong Kong and Macau, which accounted for about 68.0% (2012: 65.2%) of the Group's turnover, increased by about 16.4% to approximately HK$880.1 million (2012: HK$756.2 million) during the year under review. The Group also recorded a strong same-store-sales growth rate of about 21%. The remarkable sales growth was mainly contributed by an effective advertising television campaign for the "SALAD" brand. The Group not only received an overwhelming response on the "SALAD" branded products, but also effectively improved customer traffic and sales in shops as well as boosted awareness of the Group's in-house brands as a whole. Together with a one-off compensation received from landlords totalling about HK$21.7 million, segment profit before tax of the Group's Hong Kong and Macau operations was about HK$177.8 million (2012: HK$149.4 million) for the year ended 31 March 2013.

In response to soaring costs, particularly rentals, the Group intended to maintain an optimum operating scale and its strategic focus. During the year under review, the Group continued to enhance shop efficiency and profitability by adjusting its shop mix, introducing more attractive branded shops, closing down underperforming shops and relocating shops to other prime shopping locations with affordable rentals. The Group also renovated its existing shop design in a more lively, trendy and attractive style to remain competitive in the retail market.

Mainland China

As at 31 March 2013, the Group operated its self-managed retail shops in Beijing, Shanghai, Guangzhou, Nanjing and Suzhou and maintained a franchise network spanning across about 15 second-tier cities in Mainland China. Because of the Group's strategic consolidation efforts in both retail and franchise operations in China, the turnover of the region decreased by about 13.6% to about HK$152.4 million (2012: HK$176.4 million). The segment incurred losses of about HK$22.0 million (2012: HK$18.7 million) for the year ended 31 March 2013.

Instead of focusing on business expansion in Mainland China, the Group's top priority was to retain capital and restore profitability within the foreseeable future. During the year under review, the number of shops in the region has been reduced to 58 (2012: 87) as at 31 March 2013. The downsizing exercises led to an exceptional expense of about HK$10.9 million (2012: HK$8.0 million) incurred during the year under review, which mainly consisted of loss on disposal and impairment of fixed assets, write-off of rental deposits and compensation for termination of leases. Encouragingly, the strategy has already started to reap benefits as some stores began to deliver an appreciable rise in sales with a positive same-store-sales growth rate of about 10% for the year. The Group will adopt a flexible approach to monitor performance of each individual store and adjust its portfolio in a timely manner.

Taiwan

The retail performance in Taiwan was adversely affected by an economic slowdown, particularly in the first half of the financial year. The segment incurred losses of about HK$1.6 million (2012: profit of HK$14.4 million) despite turnover from Taiwan operations growing by about 8.2% to approximately HK$222.3 million (2012: HK$205.5 million). To stimulate retail sales and reduce slow-moving inventories, the Group exerted considerable effort on promotions and offered deeper discounts to customers. The Group periodically closely monitored the effectiveness of its shop portfolio and altered its portfolio mix in order to react promptly to changing market conditions. As a result, same-store-sales growth rate had substantially been improved in the second half of the financial year. As at 31 March 2013, there were a total of 77 shops in Taiwan and most of which were located inside reputable department stores in major cities.

Elsewhere

The Group extended its business coverage to several countries, with a particular focus on Asia, through wholesale operations. The turnover from the segment improved substantially by about 78.4% to about HK$38.9 million (2012: HK$21.8 million). The satisfactory result was mainly attributable to the significant growth in sales to the Japanese market. The Group will continue to maintain a similar scale of its wholesale operations to address the demand from existing customers.

FINANCIAL REVIEW

Turnover

The aggregate turnover of the Group rose by approximately 11.5% to around HK$1,293.7 million (2012: HK$1,159.9 million) for the year ended 31 March 2013, which comprised about HK$1,230.7 million (2012: HK$1,097.5 million) in sales from retail operations, about HK$23.8 million (2012: HK$39.7 million) in sales from the franchise business and about HK$39.2 million (2012: HK$22.7 million) in sales from the wholesale business. The retail business was the largest sales contributor, accounting for approximately 95.1% (2012: 94.6%) of total turnover and achieving a year-on-year growth of about 12.1%.

During the year under review, the Group's in-house branded products accounted for about 80% (2012: 80%) of total turnover of the Group.

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 increased to approximately HK$828.9 million (2012: HK$804.5 million) for the year ended 31 March 2013 while gross margin substantially narrowed by about 5.3 percentage points to around 64.1% (2012: 69.4%) when compared with last financial year. Owing to a stagnant retail performance, especially in Mainland China and Taiwan, the Group significantly increased the extent and frequency of sales promotions to customers to galvanise sales growth and launched several large-scale bargain sales activities during the year under review to reduce excessively high off-season and slow-moving inventories.

Exceptional Other Income and Gain

During the year ended 31 March 2013, the Group received compensation of about HK$21.7 million (2012: Nil) in aggregate from landlords for early termination of certain leases in Hong Kong and Macau. In addition, the Group recorded a net gain of about HK$11.3 million (2012: Nil) in respect of disposal of items of property, plant and equipment. The disposal gain was mainly contributed by the sales of certain under-utilised properties in Hong Kong for an aggregate consideration of about HK$59.4 million. These properties were originally acquired to serve as warehouses, car parking spaces and staff quarters for the Group's retail operation. However, in light of the economic slowdown, the properties were in low utilisation during the year under review and this phenomenon is expected to continue in the foreseeable future. Therefore, the Group realised the redundant properties for cash to generate working capital and to facilitate resource allocation for better productivity.

Operating Expenses

Operating expenses increased by about 4.4% to approximately HK$734.8 million (2012: HK$703.8 million) during the year ended 31 March 2013, equivalent to roughly 56.8% of total turnover (2012: 60.7%). Rent for land and buildings was about HK$311.5 million (2012: HK$298.9 million), which accounted for about 24.1% (2012: 25.8%) of the Group's turnover and equivalent to about 42.4% (2012: 42.5%) of the Group's total expenses during the year under review. The market rentals continued to surge during the year under review. However, as the Group strategically relocated shops to other prime shopping areas commanding lower rent, consolidated shops in nearby locations, and shut inefficient shops, particularly in Mainland China, the respective cost-to-sales ratio were improved accordingly.

Staff cost increased by about 6.4% to approximately HK$226.6 million (2012: HK$213.0 million) during the year ended 31 March 2013. Staff cost-to-sales ratio, however, dropped to about 17.5% (2012: 18.4%) for the year under review. Although the inflationary operating environment and shortage of professional retail sales staff led to surge in average staff cost, the Group devoted substantial efforts to streamline the operations in supporting back offices and reduced headcount in general. In addition, through effective use of incentive systems to motivate sales staff to improve efficiency and stringent cost control measures, the Group managed to moderate the staff cost increment and to maintain the staff cost-to-sales ratio at an acceptable level.

Depreciation charges rose to approximately HK$40.3 million (2012: HK$38.4 million) for the year under review. Marketing expenses, including advertising, promotion and exhibition expenses, increased mildly by about 8.9% to approximately HK$34.2 million (2012: HK$31.4 million) for the year ended 31 March 2013 despite substantial spending on a television advertising program launched during the year under review. The Group managed to invest wisely by focusing marketing resources on the traditional peak sales season in the second half of the financial year.

Finance Costs

The Group incurred finance cost of about HK$1.4 million (2012: HK$1.3 million) during the year under review, which represented the interest expenses paid for bank borrowings.

Net Profit

The Group's net profit attributable to shareholders improved by about 30.8% to approximately HK$99.3 million (2012: HK$75.9 million) for the year ended 31 March 2013. Net profit margin also increased slightly from about 6.5% to about 7.7%. However, by excluding the one-off exceptional income and gain of about HK$33.0 million (2012: Nil) in respect of compensation received for early termination of leases and disposal of items of property, plant and equipment and the restructuring costs of about HK$10.9 million (2012: HK$8.0 million) incurred in consolidating the Mainland China operations, the recurring base profit dropped by about 8.0% to approximately HK$77.2 million (2012: HK$83.9 million), which was mainly attributable to the unsatisfactory segment results in both Mainland China and Taiwan.

CAPITAL STRUCTURE

As at 31 March 2013, the Group had net assets of approximately HK$596.4 million (2012: HK$517.0 million), comprising non-current assets of approximately HK$210.1 million (2012: HK$287.8 million), net current assets of approximately HK$388.0 million (2012: HK$231.1 million) and non-current liabilities of approximately HK$1.7 million (2012: HK$1.9 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2013, the Group had cash and cash equivalents of about HK$197.9 million (2012: HK$86.2 million). At the end of the reporting period, the Group had aggregate banking facilities of about HK$110.3 million (2012: HK$111.5 million) comprising interest-bearing bank overdraft, mortgage loans and revolving loans, rental and utility guarantees as well as import facilities, of which about HK$58.3 million had not been utilised. In particular, the Group had bank borrowings of about HK$42.3 million as at 31 March 2013 (2012: HK$46.8 million), which were in Hong Kong dollars, repayable within two years and bearing interest at variable rates ranging from about 1% to 5% (2012: from about 1% to 7%) per annum. The Group's gearing ratio at the end of the reporting period, representing a percentage of total interest-bearing bank borrowings to total assets, amounted to about 5.6% (2012: 6.6%).

CASH FLOWS

For the year ended 31 March 2013, net cash inflows from operating activities increased significantly to approximately HK$115.3 million (2012: HK$60.2 million), which was mainly attributed to an increase in sales. Resulting from the receipt of proceeds on disposal of certain under-utilised properties of about HK$59.4 million and significant decrease in capital expenditure, the Group generated net cash inflows from investing activities of about HK$26.5 million (2012: net cash outflows of HK$115.7 million) during the year under review. Net cash flows used in financing activities during the year under review increased to approximately HK$31.4 million (2012: HK$16.9 million). With the strong cash inflows generated from operating activities, the Group repaid certain bank borrowings and reduced the Group's gearing level.

SECURITY

As at 31 March 2013, the Group's general banking facilities and bank borrowings were secured by certain of its leasehold land and buildings with aggregate carrying value of approximately HK$66.2 million (2012: HK$102.7 million) and cross guarantees from the Company and a subsidiary of the Group.

CAPITAL COMMITMENT

As at 31 March 2013, both the Group and the Company had no material capital commitments in respect of acquisition of items of property, plant and equipment contracted, but not provided for in the financial statements (2012: Nil).

CONTINGENT LIABILITIES

As at 31 March 2013, the Group had contingent liabilities in respect of bank guarantees given in lieu of utility and property rental deposits amounting to approximately HK$7.6 million (2012: HK$5.5 million). As at 31 March 2013, the banking facilities granted to a subsidiary subject to guarantee given to bank by the Company of HK$70,240,000 (2012: HK$70,240,000) was utilised to the extent of HK$31,318,000 (2012: HK$31,466,000).

HUMAN RESOURCES

Including all Directors, the Group had 1,486 (2012: 1,659) employees as at 31 March 2013. To attract and retain high quality staff, the Group provided competitive remuneration packages with performance bonuses, mandatory provident fund, and insurance and medical coverage as well as entitlements to share options to be granted under a share option scheme based on employees' performance, experience and the prevailing market rate. Remuneration packages were reviewed regularly. Regarding staff development, the Group provided regular in-house training to retail staff and subsidised 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, Renminbi, New Taiwan dollars and United States dollars. The Group was exposed to certain foreign currency exchange risks but it does not anticipate future currency fluctuations to cause material operational difficulties or liquidity problems. However, the Group continuously monitors its foreign exchange position and, when necessary, will hedge foreign exchange exposure arising from contractual commitments in sourcing apparel from overseas suppliers.

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

DIRECTORS

Executive Directors

Mr. Wong Yui Lam, aged 55, 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 20 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 45, is the General Manager and the Authorised Representative of the Group. She is responsible for implementation of corporate strategies and co-ordination among different departments and business units of the Group. Madam Lee is also responsible for administration, human resources and financial management of the Group. Madam Lee is an associate member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. She obtained a diploma in Management Studies from the Hong Kong Polytechnic University/Hong Kong Management Association in 1998. Madam Lee has over 20 years of experience in different areas including accounting, finance and management. She joined the Group in April 2002.

Mr. Yeung Yat Hang, aged 36, is the Operation Manager of the Group. Mr. Yeung is responsible for overseeing the Group's business operation in Mainland China. He is also responsible for the Group's leasing affairs and executing various development projects. Mr. Yeung has extensive experience in business negotiation, project management, shop decoration and retail operation. He joined the Group in May 1994.

Independent Non-Executive Directors

Dr. Wong Yun Kuen, aged 55, 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 Sandi Holdings Limited, Climax International Company Limited, Kingston Financial Group Limited, Harmony Asset Limited, Guocang Group Limited, Kaisun Energy Group Limited, Kong Sun Holdings Limited, China Yunnan Tin Minerals Group Company Limited, New Island Printing Holdings Limited and Sincere Watch (Hong Kong) 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 47, was appointed as an Independent Non-Executive Director on 1 May 2005. Mr. Chu graduated from the University of Hong Kong in June 1998 with Postgraduate Certificate in Laws and obtained from Manchester Metropolitan University a Bachelor Degree in Laws in September 1999. Mr. Chu was admitted as a solicitor of the High Court of Hong Kong in March 2000. Mr. Chu has over 20 years of working experience in the legal field in Hong Kong. Mr. Chu is currently a principal of the solicitors firm TKC Lawyers.

Mr. Mak Wing Kit, aged 45, 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 nearly 20 years of experience in auditing, accounting, company secretarial affairs and financial control in Hong Kong. Mr. Mak is currently the financial controller of a private company based in Hong Kong and People's Republic of China ("PRC").

SENIOR MANAGEMENT

Mr. Chan Chi Keung, aged 62, 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 nearly 30 years of manufacturing experience in the clothing and fashion accessory industry. Mr. Chan joined the Group in August 2001.

Mr. Chan Chung Kai, aged 48, is the Strategic Marketing Director of the Group. Mr. Chan is responsible for the Group's strategic marketing plans, buying strategies and procurement of fashion labels. Mr. Chan has over 20 years of experience in strategic marketing, brand development and visual merchandising and he had successfully introduced certain foreign brands into Hong Kong market with overwhelming responses. Prior to joining the Group in January 2007, Mr. Chan gained extensive strategic marketing experience in a sizable fashion group.

Madam Fan Ching Shan, Susan, aged 50, is the Design & Merchandising Director of the Group. She is responsible for product design, material and factory sourcing, production planning as well as garment merchandising. Madam Fan obtained a diploma in management studies from the Hong Kong Polytechnic University/Hong Kong Management Association in 1999. Madam Fan has over 25 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 37, 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 15 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 47, is the Administration Manager of the Group. She is responsible for administration and human resources management of the Group. Madam Chan has over 20 years of shop management and administration experience in Hong Kong. She has been with the Group since the opening of its first Bauhaus shop in 1991.

The Company is committed to maintaining a high standard of corporate governance which serves as a vital element of risk management throughout the development process of the Company. The board of directors (the "Board") of the Company emphasises on maintaining and conducting sound and effective corporate governance structure and practices. Throughout the year ended 31 March 2013, the Company has complied with the applicable code provision of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange except for the deviation from CG Code provision A.2.1 in respect of the roles of chairman and chief executive officer of the Company. Explanations for such non-compliance are discussed later in the section of "Chairman and Chief Executive Officer" in this Corporate Governance Report.

BOARD OF DIRECTORS

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

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

As at 31 March 2013 and up to the date of this report, the Board comprised six members, including three executive Directors and three independent non-executive Directors, as shown below:

Executive Directors

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

Independent Non-Executive Directors

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

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

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

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

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

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

BOARD OF DIRECTORS *(Continued)*

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

Pursuant to A.6.5 of CG Code (which is effective from 1 April 2012), the Directors are required to participate in continuous professional development so as to ensure that their contribution to the Board remains informed and relevant.

Accordingly, the Group's corporate governance policy requires every newly appointed Director should receive a comprehensive, formal and tailored induction on appointment of at least 15 hours from the Chairman, other senior Directors and/or external professional bodies, as appropriate, so as to ensure that they have appropriate understanding of the business and operations of the Group and that they are fully aware of their responsibilities and obligations under the Listing Rules and relevant regulatory requirements. In addition, all the Directors are required to participate in at least 15 hours of continuous professional development in each financial year to develop and refresh their knowledge and skills, either through in-house training or external professional resources. All the Directors have complied with the requirements during the year ended 31 March 2013.

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

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

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

During the year ended 31 March 2013, Mr. Li Kin Cheong, the company secretary of the Company (the "Company Secretary"), has also undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

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

BOARD MEETINGS

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

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

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

BOARD COMMITTEES

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

Audit Committee

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

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

BOARD COMMITTEES *(Continued)*

Remuneration Committee

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

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

The details of the remuneration to the Directors for the year under review are set out in the note 8 to the financial statements on pages 37 to 85 of this Annual Report.

In addition, the details of the remuneration for the year under review to the senior management of the Group fell within the following bands:

	Number of individuals
HK$1,000,000 or below	1
HK$1,000,001 to HK$1,500,000	3
HK$1,500,001 to HK$2,000,000	–
HK$2,000,001 to HK$2,500,000	1

Nomination Committee

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

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

EXTERNAL AUDITORS AND AUDITORS REMUNERATION

The Group appointed Ernst & Young as the Group's principal auditors. The acknowledgement of their responsibilities on the financial statements are set out in the section of "Independent Auditors' Report "on pages 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 2013 are as follows:

	Year ended 31 March 2013 HK$'000	Year ended 31 March 2012 HK$'000
Audit services	**1,731**	1,652
Non-audit services	**537**	579
Total	**2,268**	2,231

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 2013, the Directors have selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records which disclose the financial position of the Group with reasonable accuracy at any time.

INTERNAL CONTROL

The Group maintained a structure with defined lines of responsibility and appropriate delegation of duties and authority to management. The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness through the audit committee. The Board requires management to establish and maintain sound and effective internal controls, which cover all material controls, including financial, operational and compliance 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.

CONSTITUTIONAL DOCUMENTS

At the annual general meeting of the Company held on 16 August 2012, amendments to the articles of association of the Company were approved by the shareholders of the Company, mainly to bring the articles of association of the Company in line with certain recent changes to the Listing Rules. An updated version of the articles of association of the Company is available on the websites of the Company and the Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

COMMUNICATION WITH INVESTORS AND SHAREHOLDERS

To enhance transparency and effectively communicate with the investment community, the executive Directors maintain regular communications with various shareholders, potential investors, research analysts, fund managers and media.

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

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

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

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

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

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

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

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

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

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

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

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

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

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

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

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

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

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2013 and the state of affairs of the Company and the Group at that date are set out on pages 37 to 85 of this Annual Report.

An interim dividend of HK1.0 cent per ordinary share was paid on 7 February 2013. The directors recommend the payment of a final dividend of HK10.1 cents per ordinary share in respect of the year to shareholders on the register of members on 12 September 2013. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "AGM") is scheduled on Tuesday, 3 September 2013. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 30 August 2013 to Tuesday, 3 September 2013, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 29 August 2013.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the AGM. The record date for entitlement to the proposed final dividend is Thursday, 12 September 2013. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 10 September 2013 to Thursday, 12 September 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Monday, 9 September 2013.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements is set out on page 86 of this Annual Report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND SHARE OPTIONS

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

On 16 August 2012, an ordinary resolution has been passed at annual general meeting for cancellation of a total of 9,840,000 share options (the "2010 Options") previously granted to certain employees and directors on 2 December 2010. The holders of the 2010 Options were not entitled to any compensation for any consequential loss as a result of the approval of this cancellation. Upon the cancellation, the unvested share option expenses of approximately HK$2,810,000 were charged to profit or loss.

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 March 2013, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to HK$277,077,000 of which an aggregate of HK$36,305,000 has been proposed as final dividend for the year. In addition, the Company's share premium account, in the amount of HK$87,875,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$278,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2013, sales to the Group's five largest customers accounted for less than 30% of the total sales of the Group for the year. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 13% and 41%, respectively, of the Group's total purchases for the year. None of the directors or any of their associates or any shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) had beneficial interests in the Group's top five suppliers referred to above.

DIRECTORS

The directors of the Company during the year were:

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

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

In accordance with article 87 of the Company's articles of association, Dr. Wong Yun Kuen and Mr. Mak Wing Kit 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 renewed his/her service contract with the Company for a term of three years commencing from 1 May 2011. The service contracts will continue thereafter until terminated by not less than six months' notice in writing served by either party on the other without payment of compensation. Under the service contracts, after each completed year of service, the remuneration payable to each of them may, subject to the discretion of the board of directors, be adjusted and they will each be entitled to a discretionary bonus provided that the total amount of bonuses payable to all the directors for such year shall not exceed HK$5 million. Each of the executive directors will be entitled to all the reasonable out-of-pocket expenses and medical expenses, housing benefits and reimbursements, the use of a car and the fuel and maintenance (including insurance) expenses in respect of the car used by him/her.

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2013, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) Long positions in ordinary shares of the Company

	Number of shares held, capacity and nature of interest				
Name of director	**Directly beneficially owned**	**Through controlled corporation**	**Through a discretionary trust/as beneficiary or trustee of trust**	**Total**	**Percentage of the Company's issued share capital**
Mr. Wong Yui Lam	500,000	29,900,000 (note)	180,000,000 (note)	210,400,000	58.53%
Mr. Yeung Yat Hang	3,748,000	–	–	3,748,000	1.04%

Note:
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 2013, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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

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

	Number of share options								
Name or category of participant	At 1 April 2012	Granted during the year	Exercised during the year	Cancelled during the year[iii]	Forfeited during the year	At 31 March 2013	Date of grant of share options[i]	Exercise period of share options	Exercise price of share options[ii] HK$ per share
Directors, chief executive and a substantial shareholder and their associates									
Madam Lee Yuk Ming	250,000	–	–	(250,000)	–	–	2 Dec 10	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
	250,000	–	–	–	–	250,000	13 Jan 12	12 Jan 13 to 12 Jan 17	1.830
	250,000	–	–	–	–	250,000	13 Jan 12	12 Jan 14 to 12 Jan 17	1.830
	300,000	–	–	–	–	300,000	13 Jan 12	12 Jan 15 to 12 Jan 17	1.830
	1,600,000	–	–	(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
	200,000	–	–	–	–	200,000	13 Jan 12	12 Jan 13 to 12 Jan 17	1.830
	200,000	–	–	–	–	200,000	13 Jan 12	12 Jan 14 to 12 Jan 17	1.830
	200,000	–	–	–	–	200,000	13 Jan 12	12 Jan 15 to 12 Jan 17	1.830
	1,200,000		–	(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
	3,210,000	–	–	–	(280,000)	2,930,000	13 Jan 12	12 Jan 13 to 12 Jan 17	1.830
	3,210,000	–	–	–	(280,000)	2,930,000	13 Jan 12	12 Jan 14 to 12 Jan 17	1.830
	3,180,000	–	–	–	(270,000)	2,910,000	13 Jan 12	12 Jan 15 to 12 Jan 17	1.830
	18,040,000	–	–	(8,440,000)	(830,000)	8,770,000			
	20,840,000	–	–	(9,840,000)	(830,000)	10,170,000			

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

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

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

(iii) On 16 August 2012, an ordinary resolution has been passed at annual general meeting for cancellation of the 2010 Options. The holders of the 2010 Options were not entitled to any compensation for any consequential loss as a result of the approval of this cancellation. Upon the cancellation, the unvested share option expenses of approximately HK$2,810,000 were charged to profit or loss.

SHARE OPTION SCHEME *(Continued)*

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

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

At 31 March 2013, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

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

Notes:

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

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

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

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

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

Save as disclosed above, as at 31 March 2013, 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, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 6 October 2011.

Licence of software and provision of services

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

For the year ended 31 March 2013, the amounts paid by the Group to Netideas and 發順 for the licence and the provision of services were HK$810,000 and HK$114,000, respectively, which amounted to an aggregate of HK$924,000.

Sourcing of equipment

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

For the year ended 31 March 2013, no payment was made by the Group to Netideas and 發順 for the sourcing of equipment.

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.

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 2013

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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 85 of this Annual Report, which comprise the consolidated and company statements of financial position as at 31 March 2013, 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 2013, 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 2013

Year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
REVENUE	5	**1,293,677**	1,159,872
Cost of sales		**(464,748)**	(355,355)
GROSS PROFIT		**828,929**	804,517
Other income and gains	5	**14,995**	4,329
Compensation received for early termination of tenancies		**21,700**	–
Selling and distribution expenses		**(607,942)**	(574,936)
Administrative expenses		**(115,463)**	(120,063)
Other expenses		**(11,438)**	(8,777)
Finance costs	7	**(1,400)**	(1,277)
PROFIT BEFORE TAX	6	**129,381**	103,793
Income tax expense	10	**(30,126)**	(27,906)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	11	**99,255**	75,887
OTHER COMPREHENSIVE INCOME			
Currency translation differences		**1,482**	5,197
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**100,737**	81,084
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	13		
Basic		**27.6 cents**	21.1 cents
Diluted		**27.6 cents**	21.0 cents

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

31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**126,968**	187,669
Intangible assets	15	**1,381**	1,565
Rental, utility and other non-current deposits		**63,264**	78,072
Deferred tax assets	18	**18,487**	20,477
Total non-current assets		**210,100**	287,783
CURRENT ASSETS			
Inventories	19	**259,637**	269,449
Trade receivables	20	**57,690**	28,653
Prepayments, deposits and other receivables	21	**32,215**	30,056
Tax recoverable		**1,622**	2,441
Held-to-maturity debt securities	17	**–**	920
Cash and bank balances	22	**197,876**	86,167
Total current assets		**549,040**	417,686
CURRENT LIABILITIES			
Trade payables	23	**23,263**	24,609
Other payables and accruals	24	**84,051**	102,302
Interest-bearing bank borrowings	25	**42,299**	46,758
Tax payable		**11,410**	12,954
Total current liabilities		**161,023**	186,623
NET CURRENT ASSETS		**388,017**	231,063
TOTAL ASSETS LESS CURRENT LIABILITIES		**598,117**	518,846
NON-CURRENT LIABILITIES			
Deferred tax liabilities	18	**1,750**	1,865
NET ASSETS		**596,367**	516,981
EQUITY			
Equity attributable to owners of the parent			
Issued capital	26	**35,945**	35,945
Reserves	28(a)	**524,117**	457,672
Proposed dividend	12	**36,305**	23,364
TOTAL EQUITY		**596,367**	516,981

Wong Yui Lam
Chairman, CEO & Executive Director

Lee Yuk Ming
Executive Director

Year ended 31 March 2013

	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 28(a))	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000 (note 28(a))	Proposed dividends HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 April 2011		35,945	87,875	744	1,509	18,369	9,125	56,434	284,937	494,938
Final 2011 dividend declared		–	–	–	–	–	–	(38,461)	–	(38,461)
Special 2011 dividend declared		–	–	–	–	–	–	(17,973)	–	(17,973)
Total comprehensive income for the year		–	–	–	–	5,197	–	–	75,887	81,084
Transfer to reserve funds		–	–	–	–	–	710	–	(710)	–
Equity-settled share option arrangements	27	–	–	–	4,582	–	–	–	–	4,582
Interim 2012 dividend	12	–	–	–	–	–	–	–	(7,189)	(7,189)
Proposed final 2012 dividend	12	–	–	–	–	–	–	23,364	(23,364)	–
At 31 March 2012 and 1 April 2012		35,945	87,875*	744*	6,091*	23,566*	9,835*	23,364	329,561*	516,981
Final 2012 dividend declared		–	–	–	–	–	–	(23,364)	–	(23,364)
Total comprehensive income for the year		–	–	–	–	1,482	–	–	99,255	100,737
Transfer to reserve funds		–	–	–	–	–	281	–	(281)	–
Equity-settled share option arrangements	27	–	–	–	5,607	–	–	–	–	5,607
Interim 2013 dividend	12	–	–	–	–	–	–	–	(3,594)	(3,594)
Proposed final 2013 dividend	12	–	–	–	–	–	–	36,305	(36,305)	–
At 31 March 2013		35,945	87,875*	744*	11,698*	25,048*	10,116*	36,305	388,636*	596,367

* These reserve accounts comprise the consolidated reserves of HK$524,117,000 (2012: HK$457,672,000) in the consolidated statement of financial position.

Year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**129,381**	103,793
Adjustments for:			
Finance costs	7	**1,400**	1,277
Bank interest income	5	**(199)**	(359)
Depreciation	6	**40,289**	38,415
Loss/(gain) on disposal of items of property, plant and equipment	5,6	**(11,313)**	3,765
Write-off of rental deposits	6	**3,078**	1,363
Amortisation of intangible assets	6	**330**	344
Provision for slow-moving inventories, net	6	**17,751**	29,535
Equity-settled share option expense	27	**5,607**	4,582
Impairment of items of property, plant and equipment	6	**6,080**	2,328
		192,404	185,043
Decrease/(increase) in rental, utility and other non-current deposits		**11,730**	(12,872)
Increase in inventories		**(7,939)**	(97,302)
Decrease/(increase) in trade receivables		**(29,037)**	5,369
Increase in prepayments, deposits and other receivables		**(2,159)**	(1,418)
Increase/(decrease) in trade payables		**(1,346)**	2,625
Increase/(decrease) in other payables and accruals		**(18,251)**	27,598
Cash generated from operations		**145,402**	109,043
Interest received		**199**	359
Interest paid		**(1,400)**	(1,277)
Hong Kong profits tax paid		**(16,565)**	(26,222)
Overseas taxes paid		**(12,336)**	(21,691)
Net cash flows from operating activities		**115,300**	60,212
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	**(33,780)**	(122,566)
Proceeds from disposal of items of property, plant and equipment		**59,531**	6,340
Additions to intangible assets	15	**(146)**	(195)
Redemption of held-to-maturity debt securities		**920**	748
Net cash flows from/(used in) investing activities		**26,525**	(115,673)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**46,888**	95,532
Repayment of bank loans		**(51,347)**	(48,774)
Dividends paid		**(26,958)**	(63,623)
Net cash flows used in financing activities		**(31,417)**	(16,865)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**110,408**	(72,326)
Cash and cash equivalents at beginning of year		**86,167**	153,934
Effect of foreign exchange rate changes, net		**1,301**	4,559
CASH AND CASH EQUIVALENTS AT END OF YEAR		**197,876**	86,167
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**197,876**	86,167

31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	**155,329**	149,722
CURRENT ASSETS			
Due from subsidiaries	16	**256,825**	241,225
Prepayments, deposits and other receivables	21	**144**	142
Cash and cash balances	22	**311**	134
Total current assets		**257,280**	241,501
CURRENT LIABILITIES			
Other payables and accruals	24	**14**	20
NET CURRENT ASSETS		**257,266**	241,481
NET ASSETS		**412,595**	391,203
EQUITY			
Issued capital	26	**35,945**	35,945
Reserves	28(b)	**340,345**	331,894
Proposed dividend	12	**36,305**	23,364
TOTAL EQUITY		**412,595**	391,203

Wong Yui Lam
Chairman, CEO & Executive Director

Lee Yuk Ming
Executive Director

1. CORPORATE INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

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

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

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

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

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

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

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

Intangible assets

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

Trademarks with definite useful lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their useful lives of 5 to 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 transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

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 other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains 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 objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

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

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

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

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

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

Revenue recognition

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

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

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

(c) compensation income when the right to receive the payment has been established.

Share-based payments

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

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

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

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

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

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

Other employee benefits

Pension schemes and other retirement benefits

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Dividends

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

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

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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Estimation uncertainty

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

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

Management estimates the useful lives of items of property, plant and equipment 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 2013 was HK$126,968,000 (2012: HK$187,669,000). Further details are included in note 14 to the financial statements.

Impairment test of items of property, plant and equipment

Management estimates the recoverable amount of items of property, plant and equipment when an indication of impairment exists. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test. The carrying value of property, plant and equipment at 31 March 2013 was HK$126,968,000 (2012: HK$187,669,000). Further details are included in note 14 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 March 2013 was HK$28,000 (2012: HK$39,000). The amount of unrecognised tax losses at 31 March 2013 was HK$142,573,000 (2012: HK$80,077,000). Further details are included in note 18 to the financial statements.

Provision for inventories

Management reviews an aging analysis at the end of each reporting period, and makes provision for obsolete items when events or change in circumstances show that the balance of inventories may not be realisable or are no longer suitable for production use. The Group carries out an inventory review at the end of each reporting period and makes provision for obsolete items. The carrying value of inventories at 31 March 2013 was HK$259,637,000 (2012: HK$269,449,000). Further details of which are included in note 19 to the financial statements.

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

Impairment of trade receivables

The Group maintains an allowance for estimated losses arising from the inability of its customers to make the required payments. The Group makes its estimates based on the aging of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers is to deteriorate so that the actual impairment losses might be higher than expected, the Group will be required to revise the basis of making the allowance, and its future results would be affected. The carrying value of trade receivables at 31 March 2013 was HK$57,690,000 (2012: HK$28,653,000). Further details are included in note 20 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

(a) Hong Kong and Macau

(b) Mainland China

(c) Taiwan

(d) Elsewhere

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, unallocated gains, finance costs and unallocated expenses are excluded from this measurement.

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

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

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

	Hong Kong and Macau HK$'000	Mainland China HK$'000	Taiwan HK$'000	Elsewhere HK$'000	Total HK$'000
Year ended 31 March 2013					
Segment revenue:					
Sales to external customers	880,066	152,383	222,279	38,949	1,293,677
Intersegment sales	7,094	7,588	115,835	2,292	132,809
	887,160	159,971	338,114	41,241	1,426,486
Reconciliation:					
Elimination of intersegment sales					(132,809)
Revenue					1,293,677
Segment results:	177,817	(21,981)	(1,608)	11,744	165,972
Reconciliation:					
Interest income					199
Unallocated gains, net					16,331
Finance costs					(1,400)
Unallocated expenses					(51,721)
Profit before tax					129,381
Segment assets:	297,873	107,907	104,940	7,518	518,238
Reconciliation:					
Deferred tax assets					18,487
Tax recoverable					1,622
Unallocated assets					220,793
Total assets					759,140
Segment liabilities:	51,012	32,410	10,498	587	94,507
Reconciliation:					
Deferred tax liabilities					1,750
Interest-bearing bank borrowings					42,299
Tax payable					11,410
Unallocated liabilities					12,807
Total liabilities					162,773
Other segment information:					
Capital expenditure *	18,603	6,771	5,274	96	30,744
Unallocated capital expenditure *					3,182
					33,926
Depreciation	14,691	8,946	10,603	–	34,240
Amortisation of intangible assets	73	38	40	179	330
Unallocated depreciation					6,049
					40,619
Loss on disposal of items of property, plant and equipment	1,668	3,229	121	–	5,018
Unallocated gain on disposal of items of property, plant and equipment, net					(16,331)
					(11,313)
Compensation received for early termination of tenancies	(21,700)	–	–	–	(21,700)
Write-off of rental deposits	–	3,078	–	–	3,078
Impairment of items of property, plant and equipment	3,492	2,588	–	–	6,080

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

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

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

Non-current assets

	2013 HK$'000	2012 HK$'000
Hong Kong and Macau	**69,951**	78,214
Mainland China	**19,122**	35,841
Taiwan	**10,461**	15,370
Elsewhere	**902**	963
	100,436	130,388

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

Information about major customers

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Group	
	2013 HK$'000	2012 HK$'000
Revenue		
Sale of garment products and accessories	**1,293,677**	1,159,872
Other income		
Bank interest income	**199**	359
Others	**1,843**	2,251
	2,042	2,610
Gains		
Gain on disposal of items of property, plant and equipment, net	**11,313**	–
Foreign exchange differences, net	**1,640**	1,719
	12,953	1,719
	14,995	4,329

6. PROFIT BEFORE TAX

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

		Group	
		2013	2012
	Notes	**HK$'000**	HK$'000
Cost of inventories sold		**446,997**	325,820
Depreciation	14	**40,289**	38,415
Provision for slow-moving inventories, net, included in cost of sales		**17,751**	29,535
Rental expenses under operating leases in respect of land and buildings:			
Minimum lease payments		**238,017**	236,707
Contingent rents		**73,479**	62,155
		311,496	298,862
Rental expenses under operating leases in respect of equipment:			
Minimum lease payments		**657**	609
Contingent rents		**132**	139
		789	748
Auditors' remuneration		**2,017**	1,987
Employee benefit expenses (excluding directors' remuneration (note 8)):			
Wages, salaries and other benefits		**203,954**	191,887
Equity-settled share option expense*		**5,238**	3,919
Pension scheme contributions**		**11,955**	11,294
		221,147	207,100
Loss on disposal of items of property, plant and equipment, net		**–**	3,765
Amortisation of intangible assets	15	**330**	344
Write-off of rental deposits		**3,078**	1,363
Impairment of items of property, plant and equipment	14	**6,080**	2,328
Compensation received for early termination tenancies		**(21,700)**	–

* On 16 August 2012, an ordinary resolution was passed at the annual general meeting for cancellation of the 2010 Options previously granted to certain employees and directors on 2 December 2010. The holders of the 2010 Options were not entitled to any compensation for any consequential loss as a result of the approval of such cancellation. Upon the cancellation, the unvested share option expenses of approximately HK$2,448,000 and HK$362,000 in relation to employees and directors, respectively, were charged to profit or loss.

** 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 (2012: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**1,400**	1,277

8. DIRECTORS' REMUNERATION

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

	Group	
	2013	2012
	HK$'000	HK$'000
Fees	**396**	396
Other emoluments:		
Salaries, allowances and benefits in kind	**4,210**	3,984
Performance-related bonuses*	**470**	820
Equity-settled share option expense	**369**	663
Pension scheme contributions	**45**	36
	5,094	5,503
	5,490	5,899

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

On 16 August 2012, an ordinary resolution has been passed at annual general meeting for cancellation of the 2010 Options previously granted to certain employees and directors on 2 December 2010. The holders of the 2010 Options were not entitled to any compensation for any consequential loss as a result of the approval of such cancellation. Upon the cancellation, the unvested share option expenses of approximately HK$362,000 were charged to profit or loss.

On 13 January 2012, certain directors were granted share options (i.e. 2012 Options), in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 27 to the financial statements. The fair value of these options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

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

	2013	2012
	HK$'000	HK$'000
Mr. Chu To Ki	**132**	132
Mr. Mak Wing Kit	**132**	132
Dr. Wong Yun Kuen	**132**	132
	396	396

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance-related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2013						
Mr. Wong Yui Lam	**–**	**1,400**	**200**	**–**	**15**	**1,615**
Madam Lee Yuk Ming	**–**	**1,434**	**180**	**209**	**15**	**1,838**
Mr. Yeung Yat Hang	**–**	**1,376**	**90**	**160**	**15**	**1,641**
	–	**4,210**	**470**	**369**	**45**	**5,094**
2012						
Mr. Wong Yui Lam	–	1,300	100	–	12	1,412
Madam Lee Yuk Ming	–	1,318	630	375	12	2,335
Mr. Yeung Yat Hang	–	1,366	90	288	12	1,756
	–	3,984	820	663	36	5,503

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2012: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2012: three) executive directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2012: two) non-director, highest paid employees for the year are as follows:

	Group 2013 HK$'000	2012 HK$'000
Salaries, allowances and benefits in kind	**2,267**	2,155
Performance-related bonuses	**550**	900
Equity-settled share option expense	**382**	483
Pension scheme contributions	**29**	24
	3,228	3,562

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

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

	Number of employees	
	2013	2012
HK$1,000,001 to HK$1,500,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	1
	2	2

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

The PRC corporate income tax ("CIT") is applicable to five (2012: five) subsidiaries located in Mainland China. All of these subsidiaries were subject to the applicable CIT rate of 25% (2012: 24% to 25%) during the year ended 31 March 2013.

For the subsidiaries in Macau, one of them (2012: 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	
	2013	2012
	HK$'000	HK$'000
Current tax – Hong Kong		
Provision for the year	**19,123**	18,034
Overprovision in prior years	**(1,099)**	(390)
Current tax – PRC		
Provision for the year	**4,632**	8,200
Overprovision in prior years	**(14)**	(92)
Current tax – Elsewhere		
Provision for the year	**5,776**	3,349
Overprovision in prior years	**(242)**	(277)
Deferred tax charge/(credit) (note 18)	**1,950**	(918)
Total tax charge for the year	**30,126**	27,906

10. INCOME TAX *(Continued)*

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

Group

2013

	Hong Kong		PRC		Elsewhere		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	109,781		(10,291)		29,891		129,381	
Tax at the statutory tax rate	18,114	16.5	(2,573)	25.0	2,077	6.9	17,618	13.6
Lower tax rate for specific provinces or enacted by local authority	–	–	–	–	(32)	(0.1)	(32)	(0.0)
Adjustments in respect of current tax of previous periods	(1,099)	(1.0)	(14)	0.1	(242)	(0.8)	(1,355)	(1.1)
Income not subject to tax	(367)	(0.3)	(250)	2.4	(1,315)	(4.4)	(1,932)	(1.5)
Expenses not deductible for tax	1,335	1.2	79	(0.8)	3	–	1,417	1.1
Temporary differences not recognised	(900)	(0.8)	1,139	(11.0)	1,145	3.8	1,384	1.1
Tax losses not recognised	1,066	1.0	8,750	(85.0)	3,603	12.1	13,419	10.4
Tax losses utilised	(393)	(0.4)	–	–	–	–	(393)	(0.3)
	17,756	16.2	7,131	(69.3)	5,239	17.5	30,126	23.3

2012

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

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 March 2013 includes a profit of HK$42,743,000 (2012: HK$74,782,000) which has been dealt with in the financial statements of the Company (note 28(b)).

12. DIVIDENDS

	2013 HK$'000	2012 HK$'000
Interim – HK1.0 cent (2012: HK2.0 cents) per ordinary share	**3,594**	7,189
Proposed final – HK10.1 cents (2012: HK6.5 cents) per ordinary share	**36,305**	23,364
	39,899	30,553

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

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

The calculation of the basic earnings per share is based on the profit for the year attributable to equity holders of the parent of HK$99,255,000 (2012: HK$75,887,000) and the weighted average number of ordinary shares of 359,450,000 (2012: 359,450,000) in issue during the year.

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

No diluted earnings per share has been presented for the year ended 31 March 2013 in respect of a dilution as the exercise price of the share options of the Company outstanding during the year was higher than the average market price of the Company's ordinary shares and, accordingly, such share options held have no dilutive effect on the basic earnings per ordinary share.

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

	2013 HK$'000	2012 HK$'000
Earnings		
Profit attributable to equity holders of the parent, used in the basic earnings per share calculation	**99,255**	75,887

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

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Computer equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2013							
At 31 March 2012 and 1 April 2012:							
Cost	129,907	125,021	6,397	18,422	39,454	2,849	322,050
Accumulated depreciation and impairment	(5,544)	(87,275)	(3,853)	(11,845)	(23,312)	(2,552)	(134,381)
Net carrying amount	124,363	37,746	2,544	6,577	16,142	297	187,669
At 1 April 2012, net of accumulated depreciation and impairment	124,363	37,746	2,544	6,577	16,142	297	187,669
Additions	–	25,576	338	1,065	6,233	568	33,780
Depreciation provided during the year	(1,903)	(28,408)	(765)	(2,890)	(6,023)	(300)	(40,289)
Disposals	(42,990)	(3,559)	–	(103)	(1,566)	–	(48,218)
Impairment	–	(6,080)	–	–	–	–	(6,080)
Exchange realignment	–	47	36	22	(1)	2	106
At 31 March 2013, net of accumulated depreciation and impairment	79,470	25,322	2,153	4,671	14,785	567	126,968
At 31 March 2013:							
Cost	85,652	114,450	6,050	17,174	35,733	2,916	261,975
Accumulated depreciation and impairment	(6,182)	(89,128)	(3,897)	(12,503)	(20,948)	(2,349)	(135,007)
Net carrying amount	79,470	25,322	2,153	4,671	14,785	567	126,968

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

Group *(Continued)*

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

At 31 March 2013, certain of the Group's land and buildings with an aggregate net book value of approximately HK$66,154,000 (2012: HK$102,693,000) were pledged to secure general banking facilities granted to the Group (note 25(a)(i)).

The Group's land and buildings included in property, plant and equipment with net carrying amounts of HK$76,269,000 and HK$3,201,000 (2012: HK$121,089,000 and HK$3,274,000) are situated in Hong Kong and Macau, respectively, and are held under medium term leases.

15. INTANGIBLE ASSETS

Trademarks

	Group 2013 HK$'000	Group 2012 HK$'000
At 1 April:		
Cost	**4,327**	4,309
Accumulated amortisation and impairment	**(2,762)**	(2,595)
Net carrying amount	**1,565**	1,714
Cost at beginning of year, net of accumulated amortisation and impairment	**1,565**	1,714
Additions	**146**	195
Amortisation provided during the year (note 6)	**(330)**	(344)
At 31 March	**1,381**	1,565
At 31 March:		
Cost	**4,301**	4,327
Accumulated amortisation and impairment	**(2,920)**	(2,762)
Net carrying amount	**1,381**	1,565

16. INTERESTS IN SUBSIDIARIES

	Company 2013 HK$'000	Company 2012 HK$'000
Unlisted shares, at cost	**143,631**	143,631
Capital contribution in respect of employee share-based compensation	**11,698**	6,091
	155,329	149,722

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

16. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries are as follows:

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

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

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

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

17. HELD-TO-MATURITY DEBT SECURITIES

	Group 2013 HK$'000	2012 HK$'000
Unlisted bonds, at amortised cost	–	920
Current portion	–	(920)
Non-current portion	–	–

In October 2012, these unlisted bonds, which had an aggregate nominal value of RMB740,000 and bore interest at a rate of 2.70% per annum, were redeemed. The amortised cost of the held-to-maturity debt securities had been computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount.

18. DEFERRED TAX

Group

Deferred tax assets

	Decelerated tax depreciation HK$'000	Losses available for offsetting against future taxable profits HK$'000	Provision for unrealised profit on inventories HK$'000	Withholding taxes HK$'000	Other provisions HK$'000	Total HK$'000
At 1 April 2011	3,440	73	17,180	(6,100)	4,476	19,069
Deferred tax credited/(charged) to profit or loss during the year*	390	(34)	(3,970)	–	4,900	1,286
Exchange realignment	–	–	–	–	122	122
At 31 March 2012 and 1 April 2012	3,830	39	13,210	(6,100)	9,498	20,477
Deferred tax credited/(charged) to profit or loss during the year*	(30)	(11)	(1,095)	(1,100)	171	(2,065)
Exchange realignment	–	–	–	–	75	75
At 31 March 2013	3,800	28	12,115	(7,200)	9,744	18,487

18. DEFERRED TAX *(Continued)*

Group *(Continued)*

Deferred tax liabilities

	Accelerated tax depreciation HK$'000
At 1 April 2011	1,497
Deferred tax charged to profit or loss during the year*	368
At 31 March 2012 and 1 April 2012	1,865
Deferred tax credited to profit or loss during the year*	(115)
At 31 March 2013	1,750

* The total deferred tax charged to profit or loss during the year amounted to HK$1,950,000 (2012: deferred tax credited to profit or loss during the year amounted to HK$918,000) (note 10).

At the end of the reporting period, the Group had tax losses arising in Hong Kong of HK$25,351,000 (2012: HK$19,116,000) 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$96,197,000 (2012: HK$61,197,000) that will expire in two to five years and losses arising in Taiwan of HK$21,195,000 (2012: Nil) that will expire in ten years for offsetting against future taxable profits, respectively. Deferred tax assets have been recognised only for tax losses arising in Hong Kong of approximately HK$170,000 (2012: HK$236,000). Deferred tax assets have not been recognised in respect of the remaining tax losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

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

At 31 March 2013, deferred tax liabilities have not been provided in respect of certain of the unremitted retained earnings of the Group's subsidiaries after 1 January 2008 amounting to HK$86,098,000 (2012: HK$92,110,000) as the payment of dividend is not considered probable.

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

19. INVENTORIES

	Group 2013 HK$'000	2012 HK$'000
Raw materials	**7,309**	13,091
Work in progress	**1,641**	3,974
Finished goods	**250,687**	252,384
	259,637	269,449

20. TRADE RECEIVABLES

	Group 2013 HK$'000	2012 HK$'000
Trade receivables	**57,691**	28,654
Impairment	**(1)**	(1)
	57,690	28,653

Retail sales are made on cash terms or by credit card with very short credit terms. Wholesales are made to customers with general credit terms ranging from 30 days to 60 days, except for certain well-established customers with a long business relationship with the Group, where the terms are extended, while no credit terms were granted to sales to franchisees. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

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

	Group 2013 HK$'000	2012 HK$'000
Within 90 days	**57,628**	28,373
91 to 180 days	**37**	1
181 to 365 days	**11**	266
Over 365 days	**14**	13
	57,690	28,653

20. TRADE RECEIVABLES *(Continued)*

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

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January and 31 December	**1**	1

Included in the provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$1,000 (2012: HK$1,000) with a carrying amount of HK$1,000 (2012: HK$1,000). The individually impaired trade receivables relate to a customer that is in financial difficulties or in liquidation and are not expected to be recovered.

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

	Group	
	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	**45,434**	27,244
Less than 3 months past due	**12,194**	1,126
3 to less than 12 months past due	**62**	283
	57,690	28,653

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

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

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**9,853**	12,633	**144**	142
Deposits and other receivables	**22,362**	17,423	**–**	–
	32,215	30,056	**144**	142

22. CASH AND BANK BALANCES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**197,876**	86,167	**311**	134

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$39,272,000 (2012: HK$29,821,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

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

	Group	
	2013	2012
	HK$'000	HK$'000
Within 90 days	**21,979**	23,860
91 to 180 days	**382**	329
181 to 365 days	**692**	313
Over 365 days	**210**	107
	23,263	24,609

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

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**58,058**	34,695	**14**	8
Accruals	**25,993**	67,607	**–**	12
	84,051	102,302	**14**	20

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

25. INTEREST-BEARING BANK BORROWINGS

	2013			2012		
Group	**Effective interest rate (%)**	**Maturity**	**HK$'000**	**Effective interest rate (%)**	**Maturity**	**HK$'000**
Current – secured						
Bank loans	**1-5**	**2013-2014**	**42,299**	1-7	2012	33,388
Bank loans which contain a repayment on demand clause	**–**	**–**	**–**	1-2	2013-2014	13,370
			42,299			46,758

	2013 HK$'000	2012 HK$'000
Analysed into bank loans repayable:*		
Within one year or on demand	**42,299**	33,388
In the second year	**–**	13,370
	42,299	46,758

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

The Company did not have any interest-bearing bank borrowings as at 31 March 2013 and 31 March 2012.

Notes:

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

(i) mortgages over the Group's buildings, which had an aggregate carrying value at the end of the reporting period of approximately HK$66,154,000 (2012: HK$102,693,000); and

(ii) corporate guarantees given by the Company and a subsidiary of the Group of HK$70,240,000 and HK$30,000,000, respectively (2012: HK$70,240,000 and HK$25,000,000).

(b) All borrowings are in Hong Kong dollars.

26. SHARE CAPITAL

Shares

	Company 2013 HK$'000	2012 HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
359,450,000 ordinary shares of HK$0.1 each	**35,945**	35,945

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

27. SHARE OPTION SCHEME

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

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

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

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

27. SHARE OPTION SCHEME *(Continued)*

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

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

Each share option shall entitle the holder thereof to subscribe for one share upon exercise of the share option at an exercise price of HK$1.83 (2012: HK$1.83) per share.

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

	2013		2012	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 April	**2.550**	**20,840**	3.354	9,840
Granted during the year	**–**	**–**	1.830	11,000
Cancelled during the year	**3.354**	**(9,840)**	–	–
Forfeited during the year	**1.830**	**(830)**	–	–
	1.830	**10,170**	2.550	20,840

No share options were exercised during the year.

The Group recognised a share option expense of HK$5,607,000 (2012: HK$4,582,000) during the year ended 31 March 2013.

27. 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:

2013

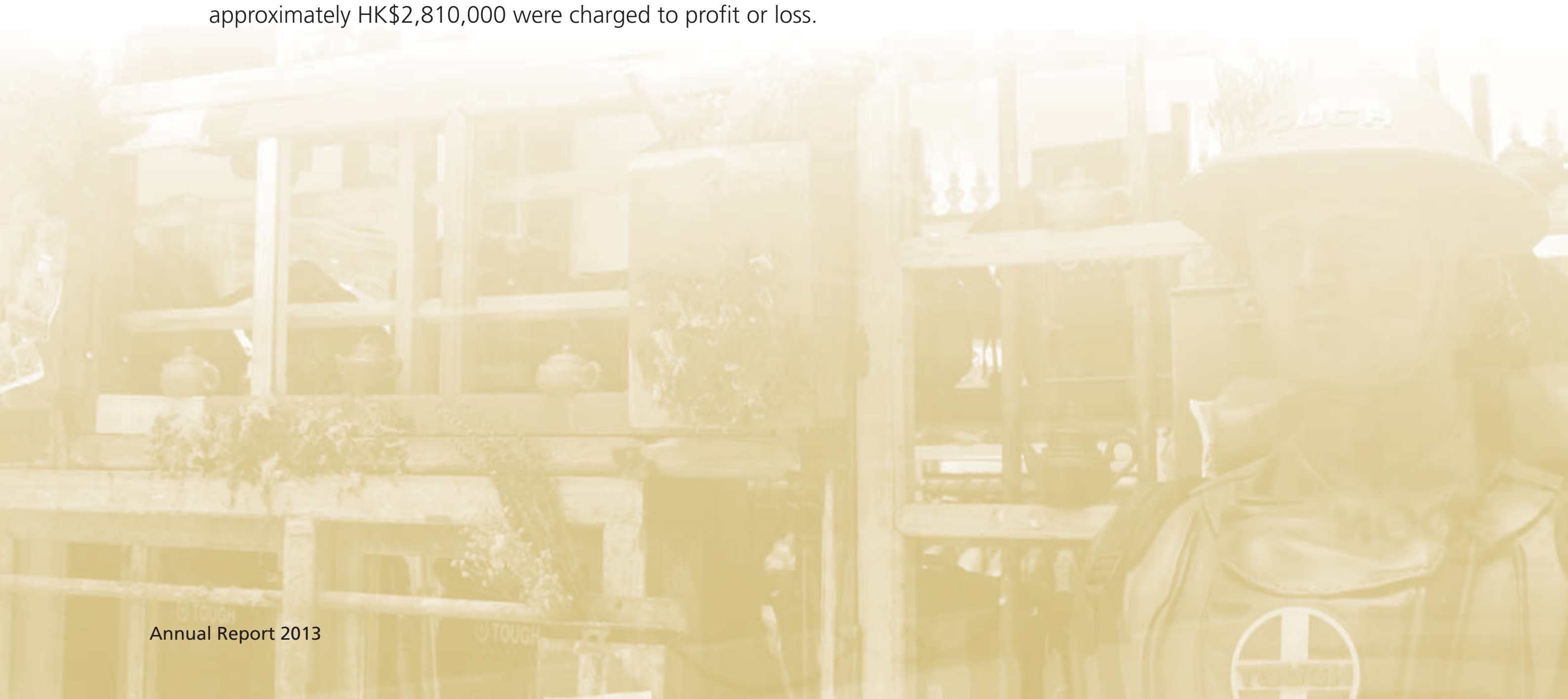
Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
3,380	**1.830**	**12 Jan 13 to 12 Jan 17**
3,380	**1.830**	**12 Jan 14 to 12 Jan 17**
3,410	**1.830**	**12 Jan 15 to 12 Jan 17**
10,170		

2012

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

* 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.

An ordinary resolution has been passed at the AGM held on 16 August 2012 for the cancellation of a total of 9,840,000 share options previously granted to certain employees and directors on 2 December 2010 but remained outstanding as at 31 March 2012. The holders of the 2010 Options did not entitle to any compensation for any consequential loss as a result of the cancellation. Upon the cancellation, the unvested share option expenses of approximately HK$2,810,000 were charged to profit or loss.



27. SHARE OPTION SCHEME *(Continued)*

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

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

At the end of the reporting period, the Company had 10,170,000 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 10,170,000 additional ordinary shares of the Company and additional share capital of HK$1,017,000 and share premium of HK$17,594,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 10,170,000 share options outstanding under the Scheme, which represented approximately 2.8% of the Company's shares in issue as at that date.

28. RESERVES

(a) Group

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

The Group's contributed surplus as at 31 March 2013 and 2012 comprised (i) the waiver of an amount of HK$2,046,000 due to a company owned by a controlling shareholder of the Group in a prior year; (ii) the difference of HK$1,836,000 between the nominal value of the shares of the subsidiaries acquired, and the share capital of the Company issued in exchange pursuant to the group reorganisation; (iii) a transfer of HK$3,875,000 from the share premium account upon the group reorganisation; and (iv) net-off the distribution of a special interim dividend of HK$7,013,000 in a prior year.

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

28. RESERVES *(Continued)*

(b) Company

	Note	Share premium account HK$'000	Contributed surplus** HK$'000	Share option reserve HK$'000	Proposed dividends HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2011		87,875	136,518	1,509	56,434	57,181	339,517
Final 2011 dividend declared		–	–	–	(38,461)	–	(38,461)
Special 2011 dividend declared		–	–	–	(17,973)	–	(17,973)
Total comprehensive income for the year		–	–	–	–	74,782	74,782
Equity-settled share option arrangements		–	–	4,582	–	–	4,582
Interim 2012 dividend	12	–	–	–	–	(7,189)	(7,189)
Proposed final 2012 dividend	12	–	–	–	23,364	(23,364)	–
At 31 March 2012 and 1 April 2012		87,875*	136,518*	6,091*	23,364	101,410*	355,258
Final 2012 dividend declared		–	–	–	(23,364)	–	(23,364)
Total comprehensive income for the year		–	–	–	–	42,743	42,743
Equity-settled share option arrangements		–	–	5,607	–	–	5,607
Interim 2013 dividend	12	–	–	–	–	(3,594)	(3,594)
Proposed final 2013 dividend	12	–	–	–	36,305	(36,305)	–
At 31 March 2013		87,875*	136,518*	11,698*	36,305	104,254*	376,650

* These reserve accounts comprise the reserves of HK$340,345,000 (2012: HK$331,894,000) in the statement of financial position of the Company.

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

29. CONTINGENT LIABILITIES

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

	Group	
	2013 HK$'000	2012 HK$'000
Bank guarantees given in lieu of utility and property rental deposits	**7,594**	5,502

As at 31 March 2013, the banking facilities granted to a subsidiary subject to guarantee given to bank by the Company of HK$70,240,000 (2012: HK$70,240,000) was utilised to the extent of HK$31,318,000 (2012: HK$31,466,000).

30. PLEDGE OF ASSETS

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

31. OPERATING LEASE ARRANGEMENTS

As lessee

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

At 31 March 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2013 **HK$'000**	2012 HK$'000
Within one year	**192,285**	236,617
In the second to fifth years, inclusive	**168,189**	258,255
Over five years	**4,210**	7,013
	364,684	501,885

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 2013 (2012: Nil).

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group and the Company had no material capital commitments contracted, but not provided for in the financial statements as at 31 March 2013 (2012: Nil).

33. RELATED PARTY TRANSACTIONS

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

	Notes	**2013** **HK$'000**	2012 HK$'000
Computer system maintenance charges paid to related companies	(i)	**924**	1,890
Purchases of computer equipment from related companies	(ii)	**–**	2,624

Notes:

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

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

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

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

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

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

2013

Financial assets

	Group Loans and receivables HK$'000
Financial assets included in rental, utility and other non-current deposits	**60,628**
Trade receivables	**57,690**
Financial assets included in prepayments, deposits and other receivables (note 21)	**22,362**
Cash and bank balances	**197,876**
	338,556

Financial liabilities

	Group Financial liabilities at amortised cost HK$'000
Trade payables	**23,263**
Financial liabilities included in other payables and accruals (note 24)	**58,058**
Interest-bearing bank borrowings	**42,299**
	123,620

2012

Financial assets

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

Financial liabilities

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

34. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial assets

	Company	
	2013	2012
	Loans and receivables	Loans and receivables
	HK$'000	HK$'000
Due from subsidiaries	**256,825**	241,225
Cash and bank balances	**311**	134
	257,136	241,359

Financial liabilities

	Company	
	2013	2012
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	HK$'000
Financial liabilities included in other payables and accruals (note 24)	**14**	8

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

Interest rate risk

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

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

	Group			Company	
	Increase/ (decrease) %	Increase/ (decrease) in profit/(loss) before tax HK$'000	Increase/ (decrease) in equity* HK$'000	Increase/ (decrease) %	Increase/ (decrease) in equity* HK$'000
2013					
Hong Kong dollar	**1**	**(423)**	**–**	**1**	**–**
Hong Kong dollar	**(1)**	**423**	**–**	**(1)**	**–**
2012					
Hong Kong dollar	1	(468)	–	1	–
Hong Kong dollar	(1)	468	–	(1)	–

* Excluding retained profits

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

Foreign currency risk

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

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

	%	**Increase/ (decrease) in profit before tax HK$'000**	**Increase/ (decrease) in equity* HK$'000**
2013			
If Hong Kong dollar weakens against RMB	**(1)**	**1,135**	**–**
If Hong Kong dollar strengthens against RMB	**1**	**(1,135)**	**–**
2012			
If Hong Kong dollar weakens against RMB	(1)	1,301	–
If Hong Kong dollar strengthens against RMB	1	(1,301)	–

* Excluding retained profits

Credit risk

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

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

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

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

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

Liquidity risk

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

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

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

Group

		2013		
	On demand HK$'000	**Less than 3 months HK$'000**	**3 to less than 12 months HK$'000**	**Total HK$'000**
Interest-bearing bank borrowings	**42,299**	**–**	**–**	**42,299**
Trade payables	**5,992**	**17,004**	**267**	**23,263**
Other payables	**48,666**	**9,392**	**–**	**58,058**
Guarantees given to banks in connection with facilities granted to subsidiaries	**7,594**	**–**	**–**	**7,594**
	104,551	**26,396**	**267**	**131,214**

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

Company

	2013 On demand HK$'000	2012 On demand HK$'000
Other payables (note 24)	**14**	8

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

Liquidity risk *(Continued)*

The table below summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the notices for repayment schedule issued by the bank. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that these term loans will be repaid in accordance with the scheduled repayment dates set out in the notices for repayment schedule issued by the bank.

	Less than 12 months HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
31 March 2013	**42,299**	**–**	**42,299**
31 March 2012	33,388	13,370	46,758

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2013 and 31 March 2012.

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:

	2013 HK$'000	2012 HK$'000
Total current assets	**549,040**	417,686
Total current liabilities	**161,023**	186,623
Current ratio	**3.4**	2.2

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 June 2013.

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				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	**1,293,677**	1,159,872	1,011,704	793,792	745,599
Cost of sales	**(464,748)**	(355,355)	(303,514)	(237,370)	(232,233)
Gross profit	**828,929**	804,517	708,190	556,422	513,366
Other income and gains	**14,995**	4,329	4,518	3,608	2,909
Compensation received for early termination of tenancies	**21,700**	–	–	–	–
Selling and distribution expenses	**(607,942)**	(574,936)	(458,484)	(368,927)	(348,727)
Administrative expenses	**(115,463)**	(120,063)	(99,431)	(82,139)	(83,881)
Other expenses	**(11,438)**	(8,777)	(5,994)	(6,680)	(8,012)
Finance costs	**(1,400)**	(1,277)	–	–	–
PROFIT BEFORE TAX	**129,381**	103,793	148,799	102,284	75,655
Income tax expense	**(30,126)**	(27,906)	(33,272)	(19,256)	(14,886)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**99,255**	75,887	115,527	83,028	60,769
DIVIDENDS	**39,899**	30,553	63,623	55,715	37,742

	As at 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
TOTAL ASSETS	**759,140**	705,469	622,896	512,047	453,923
TOTAL LIABILITIES	**(162,773)**	(188,488)	(127,958)	(86,109)	(75,576)
	596,367	516,981	494,938	425,938	378,347