bauhaus

interim report 2013

BAUHAUS INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code:483)

Contents

Key Financial Ratios		Notes	Period 4-9/2013	Period 4-9/2012	Change +/–
Performance					
Gross Margin	(%)	*1*	**63.5**	66.2	–2.7% pts.
Net Profit Margin	(%)	*2*	**2.9**	2.1	0.8% pt.
Return on Average Equity (Annualised)	(%)	*3*	**5.4**	4.0	1.4% pts.
Return on Average Assets (Annualised)	(%)	*4*	**4.2**	2.9	1.3% pts.
Operating					
Inventory Turnover Days (Annualised)		*5*	**271**	350	–79 days
Debtors' Turnover Days (Annualised)		*6*	**16**	12	4 days
Creditors' Turnover Days (Annualised)		*7*	**31**	36	–5 days
Liquidity and Gearing					
Current Ratio		*8*	**2.8**	2.3	21.7%
Quick Ratio		*9*	**1.0**	0.6	66.7%
Gearing Ratio	(%)	*10*	**4.4**	4.5	–0.1% pt.
Per Share Data					
Book Value Per Share	(HK cents)	*11*	**160.8**	141.4	13.7%
Earnings Per Share	(HK cents)	*12*	**4.5**	2.9	55.2%
Interim Dividend Per Share	(HK cents)		**1.5**	1.0	50.0%

Notes:

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

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

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

4 "Return on Average Assets" represents the annualised profit for the period 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 period.

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

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

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

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

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

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

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

Name of the Company
Bauhaus International (Holdings) Limited
包浩斯國際（控股）有限公司

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

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

Company Secretary
Mr. Li Kin Cheong, CPA, FCCA

Qualified Accountant
Mr. Li Kin Cheong, CPA, FCCA

Authorised Representatives
Mr. Wong Yui Lam
Madam Lee Yuk Ming

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

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

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

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

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

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

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

Head Office and Principal Place of Business in Hong Kong
Room 501, Sino Industrial Plaza
9 Kai Cheung Road
Kowloon Bay, Kowloon
Hong Kong

Principal Share Registrar and Transfer Office
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

		As at 30 September 2013 No. of shares	As at 31 March 2013 No. of shares
Shares			
Authorised shares	:	**2,000,000,000**	2,000,000,000
Issued shares	:	**359,450,000**	359,450,000

		FY 2013/14 (Half-year) HK cents	FY 2012/13 (Half-year) HK cents
Basic earnings per share	:	**4.5**	2.9
Interim dividend per share	:	**1.5**	1.0

Key dates

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)*
Payment of 2012/13 proposed final dividend	:	27 September 2013
2013/14 interim results announcement	:	25 November 2013
Closure of Register of Members for 2013/14 interim dividend	:	8 January 2014 to 10 January 2014 *(both days inclusive)*
Payable of 2013/14 interim dividend on or about	:	28 January 2014
Official website	:	www.bauhaus.com.hk
Financial year end	:	31 March
Interim period end	:	30 September

For the six months ended 30 September 2013

	Notes	Six months ended 30 September 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
REVENUE	*3*	**549,798**	481,034
Cost of sales		**(200,903)**	(162,462)
GROSS PROFIT		**348,895**	318,572
Compensation received for early termination of tenancies		**–**	21,700
Other income and gains	*4*	**611**	16,634
Selling and distribution expenses		**(272,174)**	(278,721)
Administrative expenses		**(50,800)**	(58,613)
Other expenses		**(3,446)**	(1,624)
Finance costs	*5*	**(428)**	(940)
PROFIT BEFORE TAX	*6*	**22,658**	17,008
Income tax expense	*7*	**(6,654)**	(6,742)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		**16,004**	10,266
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences		**1,461**	177
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		**17,465**	10,443
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic	*8*	**HK4.5 cents**	HK2.9 cents
INTERIM DIVIDEND	*9*	**5,428**	3,594
INTERIM DIVIDEND PER SHARE	*9*	**HK1.5 cents**	HK1.0 cent

As at 30 September 2013

	Notes	As at 30 September 2013 (Unaudited) HK$'000	As at 31 March 2013 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		131,895	126,968
Intangible assets		1,259	1,381
Rental, utility and other non-current deposits		80,536	63,264
Deferred tax assets		22,702	18,487
Total non-current assets		236,392	210,100
CURRENT ASSETS			
Inventories		334,720	259,637
Trade receivables	10	36,120	57,690
Prepayments, deposits and other receivables		30,950	32,215
Tax recoverable		2,023	1,622
Cash and bank balances		133,854	197,876
Total current assets		537,667	549,040
CURRENT LIABILITIES			
Trade payables	11	65,371	23,263
Other payables and accruals		78,987	84,051
Tax payable		16,507	11,410
Interest-bearing bank borrowings	12	33,752	42,299
Total current liabilities		194,617	161,023
NET CURRENT ASSETS		343,050	388,017
TOTAL ASSETS LESS CURRENT LIABILITIES		579,442	598,117
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,400	1,750
NET ASSETS		578,042	596,367
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	35,945	35,945
Reserves		536,669	524,117
Proposed dividend		5,428	36,305
TOTAL EQUITY		578,042	596,367

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2013

	Notes	Issued share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000	Proposed dividends HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 April 2012 (audited)		35,945	87,875	744	6,091	23,566	9,835	23,364	329,561	516,981
Total comprehensive income for the period		–	–	–	–	177	–	–	10,266	10,443
Equity-settled share option arrangements	*14*	–	–	–	4,280	–	–	–	–	4,280
Final dividend declared and paid		–	–	–	–	–	–	(23,364)	–	(23,364)
Interim dividend	9	–	–	–	–	–	–	3,594	(3,594)	–
At 30 September 2012 (unaudited)		35,945	87,875	744	10,371	23,743	9,835	3,594	336,233	508,340
At 1 April 2013 (audited)		35,945	87,875	744	11,698	25,048	10,116	36,305	388,636	596,367
Total comprehensive income for the period		–	–	–	–	1,461	–	–	16,004	17,465
Equity-settled share option arrangements	*14*	–	–	–	515	–	–	–	–	515
Final dividend declared and paid		–	–	–	–	–	–	(36,305)	–	(36,305)
Interim dividend	9	–	–	–	–	–	–	5,428	(5,428)	–
At 30 September 2013 (unaudited)		35,945	87,875*	744*	12,213*	26,509*	10,116*	5,428	399,212*	578,042

* These reserve accounts comprise the consolidated reserves of HK$536,669,000 (31 March 2013: HK$524,117,000) in the condensed consolidated statement of financial position.

For the six months ended 30 September 2013

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash flows from/(used in) operating activities	**2,257**	(38,799)
Net cash flows from/(used in) investing activities	**(22,720)**	37,027
Net cash flows used in financing activities	**(44,852)**	(38,130)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(65,315)**	(39,902)
Cash and cash equivalents at beginning of period	**197,876**	86,167
Effect of foreign exchange rate changes, net	**1,293**	80
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**133,854**	46,345
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**133,854**	46,345

1. BASIS OF PRESENTATION AND PREPARATION

These unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") of the Bauhaus International (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 September 2013 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "*Interim Financial Reporting*", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and basis of preparation adopted in the preparation of the Interim Financial Statements are the same as those used in the annual financial statements for the year ended 31 March 2013, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards ("HKFRS") (which also include HKASs and Interpretations) in current period for the first time as disclosed in note 2 below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

These Interim Financial Statements have not been audited, but have been reviewed by the Company's audit committee and should be read in conjunction with the 2013 annual report.

2.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

The Group has adopted the following new and revised HKFRSs and amendments (the "New Standards") for the first time in the preparation of these Interim Financial Statements.

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

The HKAS 1 Amendments require re-grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point of time would be presented separately from items which will never be reclassified. The amendments only affect presentation and have no material impact on the performance or financial position of the Group.

Other than as further explained above, the adoption of other New Standards has had no material impact on the Group's results of operations and financial position.

2.2 ISSUED BUT NOT YET EFFECTIVE HKFRS

The Group has not applied the following new and revised HKFRSs, amendments or interpretations that have been issued but are not yet effective, in these Interim Financial Statements.

HKFRS 9	*Financial Instruments*[2]
Additions to HKFRS 9	*Financial Instruments – Financial Liabilities*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 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 standards upon initial application. So far, the Group considers that these new and revised standards are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

The Group was engaged in the manufacture and trading of garments and accessories. 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 income, finance costs and unallocated expenses are excluded from this measurement.

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

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

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

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

Information about major customers

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

3. OPERATING SEGMENT INFORMATION *(continued)*

	Hong Kong and Macau HK$'000	Mainland China HK$'000	Taiwan HK$'000	Elsewhere HK$'000	Total HK$'000
For the six months ended 30 September 2013 (Unaudited)					
Segment revenue:					
Sales to external customers	378,074	65,693	95,854	10,177	549,798
Intersegment sales	2,177	1,498	69,016	988	73,679
	380,251	67,191	164,870	11,165	623,477
Reconciliation:					
Elimination of intersegment sales					(73,679)
Revenue					549,798
Segment results:	51,971	(1,050)	(6,445)	2,873	47,349
Reconciliation:					
Interest income					157
Finance costs					(428)
Unallocated expenses					(24,420)
Profit before tax					22,658
Other segment information:					
Capital expenditure	15,877	1,229	5,380	–	22,486
Unallocated capital expenditure					366
Total capital expenditure					22,852
Depreciation	7,448	2,595	3,325	–	13,368
Unallocated depreciation					3,136
Total depreciation					16,504
As at 30 September 2013 (Unaudited)					
Segment assets:	357,655	98,434	124,060	9,997	590,146
Reconciliation:					
Deferred tax assets					22,702
Tax recoverable					2,023
Unallocated assets					159,188
Total assets					774,059
Segment liabilities:	83,519	29,735	13,945	535	127,734
Reconciliation:					
Deferred tax liabilities					1,400
Interest-bearing bank borrowings					33,752
Tax payable					16,507
Unallocated liabilities					16,624
Total liabilities					196,017
Segment non-current assets:	96,899	15,737	12,478	817	125,931
Reconciliation:					
Deferred tax assets					22,702
Unallocated non-current assets					87,759
Total non-current assets					236,392

3. OPERATING SEGMENT INFORMATION *(continued)*

	Hong Kong and Macau HK$'000	Mainland China HK$'000	Taiwan HK$'000	Elsewhere HK$'000	Total HK$'000
For the six months ended 30 September 2012 (Unaudited)					
Segment revenue:					
Sales to external customers	313,068	72,342	77,599	18,025	481,034
Intersegment sales	–	4,014	54,470	597	59,081
	313,068	76,356	132,069	18,622	540,115
Reconciliation:					
Elimination of intersegment sales					(59,081)
Revenue					481,034
Segment results:	37,095	(5,816)	(8,891)	5,419	27,807
Reconciliation:					
Interest income					99
Unallocated income					16,409
Finance costs					(940)
Unallocated expenses					(26,367)
Profit before tax					17,008
Other segment information:					
Capital expenditure	13,226	4,098	4,105	56	21,485
Unallocated capital expenditure					999
Total capital expenditure					22,484
Depreciation	6,828	5,288	6,309	–	18,425
Unallocated depreciation					3,103
Total depreciation					21,528
As at 31 March 2013 (Audited)					
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
Segment non-current assets:	69,951	19,122	10,461	902	100,436
Reconciliation:					
Deferred tax assets					18,487
Unallocated non-current assets					91,177
Total non-current assets					210,100

4. OTHER INCOME AND GAINS

	Group Six months ended 30 September 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Gain on disposal of items of property, plant and equipment, net	**–**	15,189
Bank interest income	**157**	99
Foreign exchange differences, net	**–**	261
Others	**454**	1,085
	611	16,634

5. FINANCE COSTS

	Group Six months ended 30 September 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Interest on bank loans wholly repayable within five years	**428**	940

6. PROFIT BEFORE TAX

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

	Group Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**206,423**	140,536
Provision/(write-back of provision) for slow-moving inventories, net, included in cost of sales	**(5,520)**	21,926
Depreciation	**16,504**	21,528
Rental expenses under operating leases in respect of land and buildings:		
Minimum lease payments	**115,923**	124,974
Contingent rents	**28,091**	22,753
	144,014	147,727
Rental expenses under operating leases in respect of equipment:		
Minimum lease payments	**311**	329
Contingent rents	**15**	51
	326	380
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and other benefits	**91,580**	93,540
Equity-settled share option expense	**515**	4,280
Pension scheme contributions	**5,236**	5,866
	97,331	103,686
Loss on disposal of items of property, plant and equipment, net	**1,408**	–
Amortisation of intangible assets	**152**	162
Write-off of rental deposits	**1,313**	1,462
Write-off of intangible assets	**19**	–
Compensation received for early termination of tenancies	**–**	(21,700)

7. INCOME TAX EXPENSE

	Group Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax		
– Hong Kong	**8,114**	5,029
– Elsewhere	**2,960**	8,274
Deferred tax credit	**(4,420)**	(6,561)
Total tax charge for the period	**6,654**	6,742

Hong Kong profit tax has been provided at a rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2013. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

8. 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 period attributable to equity holders of the parent of HK$16,004,000 (2012: HK$10,266,000) and the weighted average number of ordinary shares of 359,450,000 (2012: 359,450,000) in issue during the six months ended 30 September 2013.

No diluted earnings per share has been presented for the six months ended 30 September 2012 and 2013 in respect of a dilution as the exercise price of the share options of the Company outstanding during the six months periods were 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 share.

9. DIVIDEND

A final dividend of HK$36,305,000 for the year ended 31 March 2013 (2012: HK$23,364,000) was paid in September 2013.

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interim – HK1.5 cents (2012: HK1.0 cent) per ordinary share	**5,428**	3,594

The Directors declared to pay an interim dividend of HK1.5 cents per ordinary share for the six months ended 30 September 2013 (2012: HK1.0 cent) payable on or about Tuesday, 28 January 2014 to shareholders whose names appear on the register of members of the Company on Friday, 10 January 2014. The interim dividend is not reflected as a dividend payable as of 30 September 2013, but will be reflected as an appropriation of retained earnings of the Company for the year ending 31 March 2014.

10. TRADE RECEIVABLES

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 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.

10. TRADE RECEIVABLES *(continued)*

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	
	As at 30 September 2013 (Unaudited) HK$'000	As at 31 March 2013 (Audited) HK$'000
Within 90 days	**35,397**	57,628
91 to 180 days	**108**	37
181 to 365 days	**600**	11
Over 365 days	**15**	14
	36,120	57,690

11. TRADE PAYABLES

Trade payables are non-interest-bearing and are normally settled on 30-day to 60-day terms. An aged analysis of the trade payables as at the end of the reporting period, based on invoice date, is as follows:

	Group	
	As at 30 September 2013 (Unaudited) HK$'000	As at 31 March 2013 (Audited) HK$'000
Within 90 days	**65,255**	21,979
91 to 180 days	**76**	382
181 to 365 days	**12**	692
Over 365 days	**28**	210
	65,371	23,263

12. INTEREST-BEARING BANK BORROWINGS

	Group As at 30 September 2013 (Unaudited) HK$'000	As at 31 March 2013 (Audited) HK$'000
Bank loans repayable within one year or on demand	**33,752**	42,299

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$65,451,000 (31 March 2013: HK$66,154,000); 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 (31 March 2013: HK$70,240,000 and HK$30,000,000).

(b) At the end of the reporting period, the bank loans were bearing interest at variable rates ranging from 1% to 3% (31 March 2013: from 1% to 5%) per annum.

(c) All borrowings are in Hong Kong dollars.

The Company did not have any interest-bearing bank borrowings as at 30 September 2013 and 31 March 2013.

13. SHARE CAPITAL

	Company As at 30 September 2013 (Unaudited) HK$'000	As at 31 March 2013 (Audited) HK$'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

14. 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.

Movements in the number of share options outstanding and their weighted average exercise prices are as follows:

	Group and Company			
	For the six months ended 30 September 2013 (Unaudited)		For the year ended 31 March 2013 (Audited)	
	Weighted average exercise price per share HK$	Number of share options '000	Weighted average exercise price per share HK$	Number of share options '000
At beginning of period/year	**1.830**	**10,170**	2.550	20,840
Granted during the period/year	**–**	**–**	–	–
Exercised during the period/year	**–**	**–**	–	–
Cancelled during the period/year	**–**	**–**	(3.354)	(9,840)
Forfeited during the period/year	**(1.830)**	**(510)**	(1.830)	(830)
At end of period/year	**1.830**	**9,660**	1.830	10,170

The Group recognised a share option expense of HK$515,000 during the six months ended 30 September 2013 (2012: HK$4,280,000).

15. CONTINGENT LIABILITIES

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

	Group	
	As at 30 September 2013 (Unaudited) HK$'000	As at 31 March 2013 (Audited) HK$'000
Bank guarantees given in lieu of utility and property rental deposits	**5,226**	7,594

15. CONTINGENT LIABILITIES *(continued)*

As at 30 September 2013, the banking facilities granted to a subsidiary subject to guarantee given to bank by the Company of HK$70,240,000 (31 March 2013: HK$70,240,000) was utilised to the extent of HK$33,752,000 (31 March 2013: HK$31,318,000). Save as disclosed elsewhere in the Interim Financial Statements, the Company did not have any other significant contingent liabilities at the end of the reporting period.

16. OPERATING LEASE ARRANGEMENTS – AS LESSEE

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

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

	Group	
	As at 30 September 2013 (Unaudited) HK$'000	As at 31 March 2013 (Audited) HK$'000
Within one year	**211,026**	192,285
In the second to fifth year, inclusive	**257,847**	168,189
Over five years	**11,533**	4,210
	480,406	364,684

The operating lease rentals of certain retail shops are based on the higher of a fixed rental or 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 30 September 2013 (31 March 2013: Nil).

17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16 above, the Group and the Company had no material capital commitments contracted, but not provided for in the Interim Financial Statements as at 30 September 2013 (31 March 2013: Nil).

18. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Group Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Computer system maintenance charges paid to related companies	**18**	291

(b) Compensation of key management personnel of the Group

	Group Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short-term employee benefits	**1,952**	2,274
Equity-settled share option expense	**89**	547
Post-employment benefits	**32**	31
Total compensation paid to key management personnel	**2,073**	2,852

19. EVENT AFTER THE REPORTING PERIOD

On 22 October 2013, aggregately 2,410,000 share options of the Company were exercised by a director and employees of the Group at the subscription price of HK$1.83 per share, resulting in the issue of 2,410,000 new ordinary shares of HK$0.1 each for a total cash consideration, before expenses, of HK$4,410,000. The exercise of the share options would result in additional share capital of HK$241,000 and share premium of HK$4,169,000 (before issue expenses). In addition, an amount of HK$1,161,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

20. COMPARATIVE AMOUNTS

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

21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the board of directors on 25 November 2013.

BUSINESS REVIEW

The Group recorded a record-high half-year sales of approximately HK$549.8 million (2012: HK$481.0 million) and achieved an encouraging interim results of about HK$16.0 million (2012: HK$10.3 million) for the six months ended 30 September 2013 despite the absence of last year's one-off exceptional income and gains of about HK$36.9 million. The net profit for the period increased significantly by around 55.3% and net margin improved to about 2.9% (2012: 2.1%).

Actually, the market conditions still remained tough as a result of volatile retail sentiment, fierce competition among fashion retail players, high rentals and soaring staff costs within the various markets where the Group operates. To confront the challenges, the Group's key strategic goal is clear and definite: to emphasize profitability rather than merely focus on business scale. The Group has always closely monitored the market situation, promptly reacting to changing dynamics. Through effective brand building, pinpoint marketing tactics and attractive promotional offerings to customers, the Group has managed to strengthen the same store sales growth in various regions during the period under review. The Group's diverse retail network and on-going adjustment to the retail portfolio from time to time provided greater flexibility in deciding whether to renew or not to renew shops with higher rentals. In addition, the Group has greatly streamlined the non-performing retail stores in previous years and reengineered the operating structure and workflows to reduce redundant and uncompetitive business units and staff. As a result, the Group effectively improved profitability.

As at 30 September 2013, the Group had a total of 203 shops in operation (31 March 2013: 214).

	As at 30 September 2013	As at 31 March 2013	Changes
Self-managed outlets			
Hong Kong & Macau	77	79	–2
Taiwan	83	77	+6
Mainland China	24	30	–6
	184	**186**	**–2**
Franchised outlets			
Mainland China	**19**	**28**	**–9**
TOTAL	**203**	**214**	**–11**

Hong Kong and Macau

The retail operations in Hong Kong and Macau, accounting for about 68.8% (2012: 65.1%) of the Group's turnover, sustained strong sales growth of around 20.8% to approximately HK$378.1 million (2012: HK$313.1 million) for the six months ended 30 September 2013. The Group also recorded a high positive same store sales growth rate of about 27% for the period under review. The Group was fine-tuning its shop mix by introducing more attractive branded shops, gradually renovating its existing shop design in a more lively and attractive style, closing down underperforming shops and relocating shops to other prime shopping locations with lower rentals. The Group maintained a comparable scale of its retail networks in the regions during the period under review. However as a result of remarkable same store sales growth, segment profit before tax of the Group's Hong Kong and Macau operations was about HK$52.0 million (2012: HK$37.1 million) for the six months ended 30 September 2013, a surge of about 40.2%.

Mainland China

Difficult restructuring during previous years of the Group's Mainland China operations has gradually stabilised the business though it has taken time to resume profitability. During the period under review, turnover from Mainland China dropped to about HK$65.7 million (2012: HK$72.3 million). However, the segment recorded a strong positive same store sales growth rate of about 24% during the period under review and the segment loss before tax narrowed from about HK$5.8 million in the same period last year to about HK$1.1 million for the six months ended 30 September 2013. As at 30 September 2013, the Group operated self-managed retail shops in Beijing, Shanghai, Guangzhou, Nanjing and Suzhou and maintained a sizable franchise network spanning more than 10 second-tier cities in Mainland China. The Group continued to carefully monitor the performance and operating effectiveness of its business portfolio.

Taiwan

Continuously affected by economic slowdown and stagnant retail consumption in Taiwan, the Group's performance in the region was fair during the six months ended 30 September 2013. Although the Group recorded a positive same store sales growth rate of about 20% during the period under review and the total sales in Taiwan achieved a strong growth of about 23.5% to about HK$95.8 million (2012: HK$77.6 million), the growth was mainly supported by a series of promotional discounts to galvanise sales and reduce slow-moving inventories and hence, the gross margin was trimmed. Also, the segment continued to incur a loss of about HK$6.4 million (2012: HK$8.9 million) during the period under review. The Group closely monitored the effectiveness of its shop portfolio on a regular basis and altered its portfolio mix in order to react promptly to changing market conditions.

Elsewhere

The Group extended its business coverage through wholesale operations to several countries, with a particular focus on Asia. The turnover from the segment dropped substantially by about 43.3% to about HK$10.2 million (2012: HK$18.0 million). The drop was mainly attributable to the significant decrease in sales to the Japanese market. Owing to the material depreciation of the Japanese yen against the United States dollar as compared to the same period last year, the sales demand from the Group's Japanese customers was depressed and hence, a negative sales growth in that region was recorded. The Group plans to maintain the current scale of its operations in the country to address the demand from existing customers.

FINANCIAL REVIEW

Turnover

The aggregate turnover of the Group rose by around 14.3% to approximately HK$549.8 million (2012: HK$481.0 million) for the six months ended 30 September 2013. The retail business, the major sales contributor accounting for approximately 96.5% (2012: 93.6%) of total turnover, increased by about 17.8% to about HK$530.5 million (2012: HK$450.3 million). During the period under review, the Group's in-house branded products accounted for about 75% (2012: 76%) 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 3 to the Interim Financial Statements.

Gross Profit

The Group's gross profit increased to approximately HK$348.9 million (2012: HK$318.6 million) for the six months ended 30 September 2013 while gross margin dropped by about 2.7 percentage points to around 63.5% (2012: 66.2%) when compared with the same period last year. Owing to a sluggish retail performance, particularly in Taiwan, the Group increased the extent and frequency of sales promotions to customers to boost sales growth and to reduce unhealthy high off-season and slow-moving inventories.

Operating Expenses and Finance Costs

Operating expenses dropped by about 3.7% to approximately HK$326.4 million (2012: HK$339.0 million) for the six months ended 30 September 2013, equivalent to roughly 59.4% of total turnover (2012: 70.5%). Rent for land and buildings was approximately HK$144.0 million (2012: HK$147.7 million), which accounted for about 26.2% (2012: 30.7%) of the Group's turnover and equivalent to about 44.1% (2012: 43.6%) of the Group's total expenses during the period under review. The decrease was mainly because the Group strategically relocated and consolidated retail shops to moderate rental increment and closed certain underperforming shops with high rentals in the previous year.

Staff cost was another major operating expense that dropped to approximately HK$97.3 million (2012: HK$103.7 million) during the six months ended 30 September 2013. Staff cost-to-sales ratio also came down to about 17.7% (2012: 21.6%) for the period under review. Although inflationary operating environments and shortage of skillful retail sales staff continued to push up wages in general, through effective use of incentive systems to motivate sales staff for better efficiency, streamlining operations in supporting back offices and reducing headcount in general, the Group managed to alleviate the staff cost increment and to maintain the staff cost-to-sales ratio at a healthy level.

Depreciation charges declined to approximately HK$16.5 million (2012: HK$21.5 million) for the six months ended 30 September 2013. Marketing expenses, including advertising, promotion and exhibition expenses, were reduced to approximately HK$10.3 million (2012: HK$11.1 million) for the period under review as the Group intended to focus more resources during the traditional sales peak season in the second half of the fiscal year. In addition, the finance cost was approximately HK$0.4 million (2012: HK$0.9 million), which represented the interest expenses paid for bank borrowings.

Net Profit

The Group's net profit for the six months ended 30 September 2013 jumped significantly by about 55.3% from approximately HK$10.3 million in the corresponding period of 2012 to approximately HK$16.0 million. Net profit margin also improved from about 2.1% to about 2.9%.

CAPITAL STRUCTURE

As at 30 September 2013, the Group had net assets of approximately HK$578.0 million (31 March 2013: HK$596.4 million), comprising non-current assets of approximately HK$236.4 million (31 March 2013: HK$210.1 million), net current assets of approximately HK$343.0 million (31 March 2013: HK$388.0 million) and non-current liabilities of approximately HK$1.4 million (31 March 2013: HK$1.7 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2013, the Group had cash and cash equivalents of approximately HK$133.9 million (31 March 2013: HK$197.9 million). At the end of the reporting period, the Group had aggregate banking facilities of approximately HK$105.8 million (31 March 2013: HK$110.3 million) comprising interest-bearing bank overdraft, mortgage loans and revolving loans, rental and utility guarantees as well as import facilities, of which approximately HK$63.4 million had not been utilised. In particular, the Group had bank borrowings of approximately HK$33.8 million as at 30 September 2013 (31 March 2013: HK$42.3 million), which were in Hong Kong dollars, repayable within one year or on demand and bearing interest at variable rates ranging from 1% to 3% (31 March 2013: from 1% to 5%) per annum.

The gearing ratio of the Group at the end of the reporting period, representing a percentage of total interest-bearing bank borrowings to total assets, amounted to about 4.4% (31 March 2013: 5.6%).

CASH FLOWS

For the six months ended 30 September 2013, net cash inflows from operating activities were approximately HK$2.3 million (2012: cash outflows HK$38.8 million), which was mainly attributed to a substantial increase in revenue. Net cash flows used in investing activities of approximately HK$22.7 million (2012: cash inflows of HK$37.0 million) mainly represented capital expenditure invested on renovation and reallocation of retail shops during the period under review. Net cash flows used in financing activities during the period under review amounted to approximately HK$44.9 million (2012: HK$38.1 million). This was mainly attributable to payment of 2012/13 final dividends and repayment of bank borrowings.

SECURITY

As at 30 September 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$65.5 million (31 March 2013: HK$66.2 million) and cross guarantees from the Company and a subsidiary of the Group.

CAPITAL COMMITMENT

As at 30 September 2013, 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 (31 March 2013: Nil).

CONTINGENT LIABILITIES

As at 30 September 2013, the Group had contingent liabilities in respect of bank guarantees given in lieu of utility and property rental deposits amounting to approximately HK$5.2 million (31 March 2013: HK$7.6 million). As at 30 September 2013, the banking facilities granted to a subsidiary subject to guarantee given to bank by the Company of HK$70,240,000 (31 March 2013: HK$70,240,000) was utilised to the extent of HK$33,752,000 (31 March 2013: HK$31,318,000). Save as disclosed elsewhere in the Interim Financial Statements, the Company did not have any other significant contingent liabilities at the end of the reporting period.

HUMAN RESOURCES

Including all Directors, the Group had 1,360 employees as at 30 September 2013 (31 March 2013: 1,486). To attract and retain high quality staff, the Group provided competitive remuneration packages with performance bonuses, mandatory provident fund, insurance and medical coverage as well as entitlements to share options to be granted under a share option scheme based on employees' performance, experience and the prevailing market rate. Remuneration packages were reviewed regularly. Regarding staff development, the Group provided regular in-house training to retail staff and subsidised their participation in external training programmes.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's sales and purchases during the period 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.

PROSPECTS

Though the first-half of the fiscal year has reaped promising results, it will be the remaining fiscal year that paints a more accurate picture of the Group's performance. Based on the past track records, the Group's sales and performance have strong seasonality pattern and in general, over 50% of the annual sales and most of the net profit for the year are arisen from the second-half of the fiscal year. However, volatile consumption compounded by rising rent, labour and production costs are expected to continuously bring challenges to the Group's operations in its key markets of Hong Kong, Macau, Mainland China and Taiwan.

With each market posing its own unique set of challenges, the Group will continue to focus on enhancing efficiency and profitability as the primary goal, and consequently introduce strategies that best address specific local conditions. In the case of Hong Kong and Macau, the Group will continue to alleviate high rental pressure and boost efficiency of each individual store in already established network, so as to achieve sustainable same store sales growth. The management will therefore carefully elect to either relocate or renovate certain shops to capitalise on a more cost-effective shop portfolio with a reasonable return. The Group will also timely fine-tune its shop mix by introducing more attractive branded shops, gradually renovating its existing shops in a more lively and attractive style to boost customer traffic and spending. In respect of Mainland China and Taiwan, emphasis on consolidation and recovery in sales growth momentum will continue, hence non-performing stores will be closely healed or removed, allowing the business operations in both markets to benefit from further stability.

Wise cost control will be another core objective of the Group as well, and will entail measures that include the reengineering back-office support to provide better assistance to frontline sales staff. Workflow management will also be closely scrutinised, with the goal of raising efficiency and effectiveness. In addition, courses of action have been developed to reduce slow-moving stocks, as well as to gradually shorten stock turnover days, or conversely, expedite stock turnover.

More importantly, the management has taken the powerful steps to ensure that the Group can fully capitalise on consumption sentiment, which invariably peaks towards the coming Christmas and the Chinese New Year. Building on the success of the "*SALAD – Carry Me*" television advertisement campaign implemented last year, the Group has followed with the "*SALAD – Carry Me Lite*" campaign in various mass media for this year, drawing young professional ladies' attention towards the latest collection of *SALAD*-branded handbags. In addition, a pinpointed television advertisement with the theme of "*Leather to Weather*" has been launched in November 2013 to promote another key product category of the Group, its comprehensive range of leather jackets. To galvanise the interest of consumers further, the Group will organise large-scale sales events, which have the dual benefits of offloading slow-moving or off-season stocks and increasing cash flow.

Moving forward, the Group will continue to leverage its core competence to enhance its market position, all the while balanced with a prudent development strategy that heeds present market conditions. Correspondingly, while seeking to consolidate its position in key markets, the Group will actively seek opportunities for enriching its brand portfolio, particularly for tapping the mass market, as well as explore more kinds of distribution channels that enhance its exposure to a wider audience of consumers. From the combination of these and other steps, the Group is always dedicated to bolster the foundation on which sustainable, long-term growth can be realised.

The Directors declared to pay an interim dividend of HK1.5 cents per ordinary share for the six months ended 30 September 2013 (2012: HK1.0 cent) payable on or about **Tuesday, 28 January 2014** to shareholders whose names appear on the register of members of the Company on **Friday, 10 January 2014**.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from **Wednesday, 8 January 2014** to **Friday, 10 January 2014**, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on **Tuesday, 7 January 2014**.

DIRECTORS' INTERESTS IN SECURITIES

At 30 September 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 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	700,000	29,900,000 *(note)*	180,000,000 *(note)*	210,600,000	58.59%
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.

(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 shares of HK$1 each	50% of the issued non-voting deferred shares

Note:

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

Save as disclosed above, as at 30 September 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 corporation that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed below in the section of "Share Option Scheme", at no time during the six months ended 30 September 2013 were rights to acquire benefits by means of the acquisition of shares in the Company granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The 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 14 to the Interim Financial Statements.

The following table discloses movements in the Company's share options outstanding during the six months ended 30 September 2013:

Name or category of participant	Number of share options: At 1 April 2013	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited during the period	At 30 September 2013	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share
Directors									
Madam Lee Yuk Ming	250,000	–	–	–	–	250,000	13 Jan 12	12 Jan 13 to 12 Jan 17	1.830
	250,000	–	–	–	–	250,000	13 Jan 12	12 Jan 14 to 12 Jan 17	1.830
	300,000	–	–	–	–	300,000	13 Jan 12	12 Jan 15 to 12 Jan 17	1.830
	800,000	–	–	–	–	800,000			
Mr. Yeung Yat Hang	200,000	–	–	–	–	200,000	13 Jan 12	12 Jan 13 to 12 Jan 17	1.830
	200,000	–	–	–	–	200,000	13 Jan 12	12 Jan 14 to 12 Jan 17	1.830
	200,000	–	–	–	–	200,000	13 Jan 12	12 Jan 15 to 12 Jan 17	1.830
	600,000	–	–	–	–	600,000			
Other employees									
In aggregate	2,930,000	–	–	–	(170,000)	2,760,000	13 Jan 12	12 Jan 13 to 12 Jan 17	1.830
	2,930,000	–	–	–	(170,000)	2,760,000	13 Jan 12	12 Jan 14 to 12 Jan 17	1.830
	2,910,000	–	–	–	(170,000)	2,740,000	13 Jan 12	12 Jan 15 to 12 Jan 17	1.830
	8,770,000	–	–	–	(510,000)	8,260,000			
Others									
In aggregate	–	–	–	–	–	–	–	–	–
	10,170,000	–	–	–	(510,000)	9,660,000			

Notes to the table of share options outstanding during the six months ended 30 September 2013:

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

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

At the end of the reporting period, the Company had 9,660,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 9,660,000 additional ordinary shares of the Company and additional share capital of HK$966,000 and share premium of HK$16,712,000 (before issue expenses).

On 22 October 2013, aggregately 2,410,000 share options of the Company were exercised by a director and employees of the Group at the subscription price of HK$1.83 per share, resulting in the issue of 2,410,000 new ordinary shares of HK$0.1 each for a total cash consideration, before expenses, of HK$4,410,000. The exercise of the share options would result in additional share capital of HK$241,000 and share premium of HK$4,169,000 (before issue expenses). In addition, an amount of HK$1,161,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options. The closing price of shares of the Company immediately before the date on which the above share options were exercised was HK$2.65.

At the date of this report, the Company had 7,250,000 share options outstanding under the Scheme, which represented approximately 2.0% of the Company's shares in issue as at that date.

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

At 30 September 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	18,102,000	–	22,748,000	6.33%

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. 18,102,000 shares are held by Preferable Situation Assets Limited, which is incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. David Michael Webb.

Save as disclosed above, as at 30 September 2013, no person, other than the directors of the Company, whose interests are set out in the section of "Directors' interests in securities" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 September 2013 except for not having a separate chairman (the "Chairman") and chief executive officer (the "CEO") of the Company. Both positions are currently held by Mr. Wong Yui Lam ("Mr. Wong").

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

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Based on specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 September 2013.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2013.

REVIEW OF FINANCIAL INFORMATION

An audit committee of the Company (the "Audit Committee") comprising three independent non-executive directors was established on 22 April 2005 with written terms of reference. The Audit Committee has reviewed the accounting principles and practices adopted by the Group, internal control and financial reporting matters, including the review of the Interim Financial Statements for the six months ended 30 September 2013.

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.

APPRECIATION

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

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

Hong Kong, 25 November 2013