bauhaus

Bauhaus International (Holdings) Limited

包浩斯國際（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 483)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2014

- ➢ Total turnover of the Group increased by about 10.3% to approximately HK$1,427.1 million (2013: HK$1,293.7 million).
- ➢ Gross profit increased to about HK$909.6 million (2013: HK$828.9 million).
- ➢ Gross margin declined slightly to about 63.7% (2013: 64.1%).
- ➢ Recurring base EBITDA for the year increased significantly by about 29.8% to approximately HK$187.2 million (2013: HK$144.2 million).
- ➢ Net profit for the year increased by about 26.0% to approximately HK$125.1 million (2013: HK$99.3 million).
- ➢ Net margin improved to about 8.8% (2013: 7.7%).
- ➢ Basic earnings per share increased to about HK34.6 cents (2013: HK27.6 cents).
- ➢ A final dividend of HK14.0 cents (2013: HK10.1 cents) per ordinary share was proposed.
- ➢ Dividend payout ratio (including the interim dividend of HK1.5 cents) was about 45.2% of the net profit (2013: 40.2%).

The Board of Directors (the "**Directors**") of Bauhaus International (Holdings) Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2014, prepared on the basis set out in Note 1 below, together with comparative figures of the previous year, as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2014

	Notes	**2014**	2013
		HK$'000	*HK$'000*
REVENUE	*5*	**1,427,113**	1,293,677
Cost of sales		**(517,530)**	(464,748)
GROSS PROFIT		**909,583**	828,929
Other income and gains	*5*	**2,224**	14,995
Compensation received for early termination of tenancies		**–**	21,700
Selling and distribution expenses		**(650,137)**	(607,942)
Administrative expenses		**(106,639)**	(115,463)
Other expenses		**(5,157)**	(11,438)
Finance costs	*7*	**(789)**	(1,400)
PROFIT BEFORE TAX	*6*	**149,085**	129,381
Income tax expense	*8*	**(23,966)**	(30,126)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**125,119**	99,255
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Currency translation differences		**779**	1,482
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**125,898**	100,737
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	*10*		
Basic		**34.6 HK cents**	27.6 HK cents
Diluted		**34.6 HK cents**	27.6 HK cents

Details of the dividends payable and proposed for the year are disclosed in Note 9 below.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**145,309**	126,968
Intangible assets		**1,203**	1,381
Rental, utility and other non-current deposits		**80,273**	63,264
Deferred tax assets		**23,886**	18,487
Total non-current assets		**250,671**	210,100
CURRENT ASSETS			
Inventories		**268,427**	259,637
Trade receivables	*11*	**41,482**	57,690
Prepayments, deposits and other receivables		**26,769**	32,215
Tax recoverable		**4,967**	1,622
Cash and cash equivalents		**260,221**	197,876
Total current assets		**601,866**	549,040
CURRENT LIABILITIES			
Trade payables	*12*	**38,754**	23,263
Other payables and accruals		**106,942**	84,051
Interest-bearing bank borrowings	*13*	**–**	42,299
Tax payable		**9,174**	11,410
Total current liabilities		**154,870**	161,023
NET CURRENT ASSETS		**446,996**	388,017
TOTAL ASSETS LESS CURRENT LIABILITIES		**697,667**	598,117
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**6,288**	1,750
NET ASSETS		**691,379**	596,367
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**36,481**	35,945
Reserves		**603,825**	524,117
Proposed dividend	*9*	**51,073**	36,305
TOTAL EQUITY		**691,379**	596,367

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 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the following three elements of control, including:

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

(b) rights arising from other contractual arrangements; and

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

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 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 Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

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

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	*Financial Instruments*[5]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[5]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) *Investment Entities*[1]
HKFRS 11 Amendments	Amendments to HKFRS 11 *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*[3]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[4]
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 *Property, Plant and Equipment and Amendments* HKAS 38 *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures of Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
[4] Effective for annual periods beginning on or after 1 January 2017
[5] No mandatory effective date yet determined but is available for adoption

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.

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

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

4. **OPERATING SEGMENT INFORMATION (Continued)**

	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)

Geographical information

Non-current assets

	Group 2014 HK$'000	2013 HK$'000
Hong Kong and Macau	**108,815**	69,951
Mainland China	**16,077**	19,122
Taiwan	**14,500**	10,461
Elsewhere	**678**	902
	140,070	100,436

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

Information about major customers

Since none of the Group's sales to a single customer 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 2014 HK$'000	2013 HK$'000
Revenue		
Sale of garment products and accessories	**1,427,113**	1,293,677
Other income		
Bank interest income	**346**	199
Others	**1,878**	1,843
	2,224	2,042
Gains		
Gain on disposal of items of property, plant and equipment, net	**–**	11,313
Foreign exchange differences, net	**–**	1,640
	–	12,953
	2,224	14,995

6. PROFIT BEFORE TAX

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

	Group 2014 HK$'000	2013 HK$'000
Cost of inventories sold	**526,589**	446,997
Depreciation	**35,382**	40,289
Provision/(write-back of provision) for slow-moving inventories, net, included in cost of sales	**(9,059)**	17,751
Rental expenses under operating leases in respect of land and buildings:		
Minimum lease payments	**235,398**	238,017
Contingent rents	**87,646**	73,479
	323,044	311,496
Rental expenses under operating leases in respect of equipment:		
Minimum lease payments	**617**	657
Contingent rents	**15**	132
	632	789
Auditors' remuneration	**2,119**	2,017
Employee benefit expenses (including executive directors' remuneration):		
Wages, salaries and other benefits	**209,501**	208,634
Equity-settled share option expense	**1,047**	5,607
Pension scheme contributions*	**10,714**	12,000
	221,262	226,241
Loss/(gain) on disposal of items of property, plant and equipment, net	**2,681**	(11,313)
Amortisation of intangible assets	**308**	330
Write-off of rental deposits	**1,317**	3,078
Disposal of trademarks	**58**	–
Provision for doubtful debts	**7**	–
Write-off of bad debts	**16**	–
Foreign exchange differences, net	**20**	–
Impairment of items of property, plant and equipment	**427**	6,080
Compensation received for early termination of tenancies	**–**	(21,700)

* 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 (2013: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2014 HK$'000	2013 HK$'000
Interest on bank loans wholly repayable within five years	**789**	1,400

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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 (2013: five) subsidiaries located in Mainland China. All of these subsidiaries were subject to the applicable CIT rate of 25% (2013: 25%) during the year ended 31 March 2014.

For the subsidiaries in Macau, one of them (2013: 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 2014 HK$'000	2013 HK$'000
Current tax – Hong Kong		
Provision for the year	**19,903**	19,123
Overprovision in prior years	**(1,102)**	(1,099)
Current tax – PRC		
Provision for the year	**2,124**	4,632
Overprovision in prior years	**–**	(14)
Current tax – Elsewhere		
Provision for the year	**3,434**	5,776
Underprovision/(overprovision) in prior years	**447**	(242)
Deferred tax charge/(credit)	**(840)**	1,950
Total tax charge for the year	**23,966**	30,126

9. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Interim – HK1.5 cents (2013: HK1.0 cent) per ordinary share	**5,437**	3,594
Proposed final – HK14.0 cents (2013: HK10.1 cents) per ordinary share	**51,073**	36,305
	56,510	39,899

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

10. 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$125,119,000 (2013: HK$99,255,000) and the weighted average number of ordinary shares of 361,216,731 (2013: 359,450,000) in issue during the year.

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

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

	2014	2013
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity holders of the parent, used in the basic earnings per share calculation	**125,119**	99,255
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**361,216,731**	359,450,000
Effect of dilution – weighted average number of ordinary shares: Share options	**321,270**	–
	361,538,001	359,450,000

11. TRADE RECEIVABLES

	Group 2014 HK$'000	2013 HK$'000
Trade receivables	**41,489**	57,691
Impairment	**(7)**	(1)
	41,482	57,690

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 2014 HK$'000	2013 HK$'000
Within 90 days	**40,269**	57,628
91 to 180 days	**155**	37
181 to 365 days	**851**	11
Over 365 days	**207**	14
	41,482	57,690

12. 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 2014 HK$'000	2013 HK$'000
Within 90 days	**36,887**	21,979
91 to 180 days	**1,656**	382
181 to 365 days	**173**	692
Over 365 days	**38**	210
	38,754	23,263

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

13. INTEREST-BEARING BANK BORROWINGS

Group	2014 Effective interest rate *(%)*	Maturity	*HK$'000*	2013 Effective interest rate *(%)*	Maturity	*HK$'000*
Current – secured						
Bank loans repayable within one year or on demand	–	–	–	1-5	2013-2014	42,299

The bank loans were fully repaid during the year ended 31 March 2014.

The Company did not have any interest-bearing bank borrowings as at 31 March 2014 and 31 March 2013.

Notes:

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

(i) mortgages over the Group's buildings situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of approximately HK$64,752,000 (2013: HK$66,154,000); and

(ii) corporate guarantees given by the Company and a subsidiary of the Group of HK$100,240,000 and HK$30,000,000, respectively (2013: HK$70,240,000 and HK$30,000,000).

(b) All borrowings are in Hong Kong dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Encouragingly, the Group recorded a record-high annual turnover of about HK$1,427.1 million (2013: HK$1,293.7 million) and net profit of about HK$125.1 million (2013: HK$99.3 million) for the year ended 31 March 2014. If the last financial year's one-off exceptional compensation income for early termination of tenancies of about HK$21.7 million, gain on disposal of under-utilised properties of about HK$16.3 million and restructuring costs for the Mainland China operations of about HK$10.9 million were excluded, the recurring base earnings before interest, tax, depreciation and amortisation (the "**EBITDA**") increased significantly by about 29.8% to about HK$187.2 million (2013: HK$144.2 million) for the year under review, indicating a strong enhancement in the profitability of the Group's core business.

Actually, the market conditions were still challenging during the year under review. As a result of the slowdown of growth in Mainland China's economy and increasing risk of diminishing growth in other emerging markets, the retail sentiment in the regions where the Group operates was just fair in general. The operating environment was still unfavourable for retailers as high rentals, rising production costs and soaring staff expenses remained.

To confront the challenges, the Group closely monitored and promptly adjusted to market dynamics. Through effective brand-building efforts, pinpoint marketing tactics and attractive promotional offerings to attract customers, the Group successfully managed to perform well-exceeding expectations. With the appropriate strategic focus, the results in the Group's major geographical operating segments, including Hong Kong & Macau, Mainland China and Taiwan, have been enhanced or have been improving as compared to the same period last year. In addition, the net cash level and working capital of the Group were greatly strengthened, with all bank borrowings fully repaid as at the end of reporting period. Hence, the Group has better financial flexibility to further develop its business even under potentially volatile conditions.

As at 31 March 2014, the Group had a total of 214 shops in operation (2013: 214).

	As at 31 March 2014	As at 31 March 2013	Change
Self-managed outlets			
Hong Kong & Macau	**84**	79	+5
Taiwan	**87**	77	+10
Mainland China	**26**	30	-4
	197	186	+11
Franchised outlets			
Mainland China	**17**	28	–11
TOTAL	**214**	214	–

Hong Kong and Macau

Sales from retail operations in Hong Kong and Macau, which accounted for about 70.2% of the Group's turnover (2013: 68.0%), has reached another milestone, exceeding HK$1 billion per annum to approximately HK$1,001.8 million during the year under review (2013: HK$880.1 million), representing a growth of about 13.8%. The increase was mainly brought by a strong same-store-sales growth rate of about 21% during the year under review, thanks to the strategic decision to focus on certain fast-growing brands and product categories as well as the success of marketing activities.

During the year under review, the Group invested effectively in marketing certain significant product categories, especially the "SALAD" branded handbags and wallets. "SALAD" has been a fast-growing in-house brand in recent years targeting young ladies. A series of television advertising programmes and related marketing activities were launched in the second-half of the financial year. The Group also fine-tuned its shop mix and product mix to maximise the benefits from the television advertising campaigns. The Group not only received an overwhelming response for these advertised items, but also effectively improved customer traffic in shops and enhanced cross-selling opportunities to boost the sales of its other products and brands as a whole.

The strong sales growth in the region has proven the Group's success in exploring new growth momentum under less than ideal consumption situations. However, the surging operating costs, particularly rentals, still placed pressure on the Group's business. In response, the Group maintained an optimum operating scale with stringent cost control measures in place. During the year under review, the Group continued to enhance its efficiency and profitability by closing down underperforming shops and relocating shops to other prime shopping locations with affordable rentals. The Group also gradually renovated its existing shop design in a more lively, trendy and attractive style and enriched its shop and brand portfolio to remain competitive in the retail market. Furthermore, as in the previous year, the Group launched large scale bargain sales campaigns in the region during the traditional sales peak season in the summer holiday of 2013 and the period from Christmas 2013 to the Chinese New Year 2014 in order to reduce aged and slow-moving stocks.

Mainland China

As at 31 March 2014, the Group operated its self-managed retail shops in Beijing, Shanghai, Guangzhou, Nanjing and Suzhou and maintained a streamlined franchise network focusing mainly on second-tier cities in Mainland China. During the year under review, the Group reduced the total number of self-managed retail stores in the region to 26 shops as at 31 March 2014 (2013: 30). The Group also adopted a more focused strategy to foster certain franchisees with greater growth potential and to eliminate the poorly-managed ones. The number of franchised shops was further reduced to 17 shops at the end of the reporting period (2013: 28). Hence, turnover from the Mainland China segment dropped by about 11.4% to about HK$135.1 million (2013: HK$152.4 million). However, after restructuring in previous years, the segment losses were greatly reduced by about 80.5% to about HK$4.3 million for the year ended 31 March 2014 (2013: HK$22.0 million). The same-store-sales growth rate in Mainland China operation for the year under review was about 11%. Though the impact from the Mainland China segment on the Group's overall results has become less significant after the downsizing measures, the Group's priority was to resume profitability and operational effectiveness in the near future rather than merely fueling rapid business expansion.

Taiwan

In Taiwan, the local retail market was continuously weak during the year under review. Because of prolonged stagnant retail consumption, the Group's slow-moving inventories in the region had accumulated. To react promptly to this unfavourable development, the Group offered deep promotional discounts and extensive bargains, particularly in the first-half of the financial year, to galvanize sales and to reduce redundant inventories. As a result, the region reported a remarkable positive same-store-sales growth rate of about 19% and the turnover from Taiwan grew rapidly by about 21.9% to about HK$270.9 million (2013: HK$222.3 million) despite the unfavourable retail sentiment. Also, after redundant stocks were gradually trimmed, the extent of discounts offered to the market has been lessening since the second-half of the financial year. For the year ended 31 March 2014, the Taiwan operation recorded a profit of about HK$7.6 million (2013: a loss of about HK$1.6 million).

Elsewhere

The Group extended its business coverage through wholesale operations to certain countries, with a particular focus on Asia. The turnover from the segment dropped substantially by about 50.4% to about HK$19.3 million (2013: HK$38.9 million). The drop was mainly due to the significant decrease in sales to the Japanese market. Owing to 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. The Group plans to maintain a comparable scale of its wholesale operations to address the demand from current customers.

FINANCIAL REVIEW

Turnover

The aggregate turnover of the Group rose by approximately 10.3% to around HK$1,427.1 million for the year ended 31 March 2014 (2013: HK$1,293.7 million). The major components of the Group's turnover by business were as follows:

	Year ended 31 March 2014 *HK$ million*	**Year ended 31 March 2013** *HK$ million*	**Change**
Retail business	**1,387.9**	1,230.7	+12.8%
Franchise business	**18.6**	23.8	–21.8%
Wholesales business and others	**20.6**	39.2	–47.4%
TOTAL	**1,427.1**	1,293.7	+10.3%

As indicated above, the retail business was the largest sales contributor, accounting for approximately 97.3% (2013: 95.1%) of total turnover and achieving a year-on-year growth of about 12.8%.

Operating Segment Information

Detailed information of the Group's turnover and its contribution to profit before tax by segment is shown in Note 4 above.

Gross Profit

The Group's gross profit increased to approximately HK$909.6 million for the year ended 31 March 2014 (2013: HK$828.9 million) while gross margin slightly narrowed to around 63.7% (2013: 64.1%). Owing to a stagnant retail performance in Taiwan, the Group significantly increased the extent and frequency of sales promotions to customers in the region to galvanise sales and reduce its inventory level.

Operating Expenses

Operating expenses increased slightly by about 3.7% to approximately HK$761.9 million (2013: HK$734.8 million) during the year ended 31 March 2014, equivalent to roughly 53.4% of total turnover (2013: 56.8%). Rent for land and buildings was about HK$323.0 million (2013: HK$311.5 million), which accounted for about 22.6% (2013: 24.1%) of the Group's turnover and equivalent to about 42.4% (2013: 42.4%) of the Group's total expenses during the year under review. Actually, the market rentals continued to surge during the year under review, but more mildly compared to the same period last year. Besides, since the Group greatly improved the growth rate of existing shops, strategically relocated shops to other prime shopping areas commanding lower rents and consolidated shops in nearby locations, the respective rent-to-sales ratio was obviously improved.

Staff cost declined by about 2.2% to approximately HK$221.3 million (2013: HK$226.2 million) during the year ended 31 March 2014. Staff cost-to-sales ratio was further reduced to about 15.5% (2013: 17.5%). Although the inflationary operating environment and shortage of experienced front-line sales staff led to a surge in average staff cost, the Group streamlined the operations in supporting back offices and reduced headcount in general.

Depreciation charges dropped to approximately HK$35.4 million (2013: HK$40.3 million) for the year under review. Marketing expenses, including advertising, promotion and exhibition expenses, however, increased significantly by about 62.9% to approximately HK$55.7 million for the year ended 31 March 2014 (2013: HK$34.2 million). The substantial increase was mainly because the Group placed much more marketing effort (including television advertising programmes) on promoting products with good growth prospects.

Finance Costs

The Group incurred a finance cost of about HK$0.7 million (2013: HK$1.4 million) during the year under review, which represented the interest expenses paid for bank borrowings.

Net Profit

The Group's net profit attributable to equity holders improved by about 26.0% to approximately HK$125.1 million (2013: HK$99.3 million) for the year ended 31 March 2014 despite the absence of certain significant exceptional gains and income as in the last financial year. Net profit margin also increased from about 7.7% to about 8.8%. For the year ended 31 March 2014, the results in the Group's major geographical operating segments, including Hong Kong & Macau, Mainland China and Taiwan, were improved as compared to the same period last year.

SEASONALITY

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

CAPITAL STRUCTURE

As at 31 March 2014, the Group had net assets of approximately HK$691.4 million (2013: HK$596.4 million), comprising non-current assets of approximately HK$250.7 million (2013: HK$210.1 million), net current assets of approximately HK$447.0 million (2013: HK$388.0 million) and non-current liabilities of approximately HK$6.3 million (2013: HK$1.7 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2014, the Group had cash and cash equivalents of about HK$260.2 million (2013: HK$197.9 million). At the end of the reporting period, the Group had aggregate banking facilities of about HK$134.9 million (2013: HK$110.3 million) comprising interest-bearing bank overdraft, revolving loans, rental and utility guarantees as well as import facilities, of which about HK$119.4 million had not been utilised. As at 31 March 2014, the Group had no bank borrowings (2013: HK$42.3 million). The Group's gearing ratio at the end of the reporting period, representing a percentage of total interest-bearing bank borrowings to total assets, was zero (2013: 5.6%).

CASH FLOWS

For the year ended 31 March 2014, net cash inflow from operating activities increased significantly to approximately HK$192.8 million (2013: HK$115.3 million), which was mainly attributed to an increase in sales. Resulting from the absence of proceeds from disposal of properties of about HK$59.4 million as in the last financial year and an increase in capital expenditure for the year ended 31 March 2014 for renovation of existing retail networks and decoration for reallocated/new shops, the Group had net cash flow used in investing activities of about HK$57.0 million (2013: net cash inflow of HK$26.5 million) during the year under review. Net cash flow used in financing activities during the year under review increased to approximately HK$74.2 million (2013: HK$31.4 million), which was mainly arisen from payment of dividends and repayment of all bank borrowings during the year under review.

SECURITY

As at 31 March 2014, 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$64.8 million (2013: HK$66.2 million) and cross guarantees from the Company and certain subsidiaries of the Group.

CAPITAL COMMITMENT

As at 31 March 2014, both the Group and the Company had no material capital commitments (2013: Nil).

CONTINGENT LIABILITIES

As at 31 March 2014, 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 (2013: HK$7.6 million). In addition, at the end of the reporting period, the general banking facilities granted to certain subsidiaries subject to guarantees given to banks by the Company of about HK$100.2 million (2013:HK$70.2 million) were utilised to the extent of about HK$15.5 million (2013: HK$31.3 million).

HUMAN RESOURCES

Including the Directors, the Group had 1,363 (2013: 1,486) employees as at 31 March 2014. To attract and retain high quality staff, the Group provided competitive remuneration packages with performance bonuses, mandatory provident fund, and insurance and medical coverage as well as entitlements to share options to be granted under a share option scheme based on employees' performance, experience and the prevailing market rate. Remuneration packages were reviewed regularly. Regarding staff development, the Group provided regular in-house training to retail staff and subsidised their external training programmes.

FOREIGN EXCHANGE RISK MANAGEMENT

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

PROSPECTS

The retail market is expected to remain challenging, owing to high rentals, rising production costs and soaring labour expenses, compounded by a slowdown in the Mainland China economy. Further headwind may come in the form of considering to place restrictions by the Hong Kong Government on the number of Mainland Chinese visitors allowed to enter the territory. Nevertheless, the Group can observe certain positive developments on the horizon that may help to reduce the severity of present market conditions. The Group will thus make every effort to turn challenges into fresh opportunities.

To remain competitive in the face of challenges from fast fashion retailing, the Group has been gradually altering its product mix and focusing more on accessories, which are less seasonal. The management will continue to direct its attention to optimise its shop and product mix with more attractive goods, leading to higher customer traffic, greater cross selling and rise in overall sales. In addition, the Group will embark on more cross-over projects with other renowned brands. Complementing such effort, the Group will engage in more cost-effective marketing activities.

Instead of merely expanding its business scale, the Group will focus on enhancing overall efficiency and profitability; hence, the management will introduce strategies that best address specific local conditions. Given that Hong Kong and Macau remain principal markets of the Group, the management will seek to further bolster its presence in these two regions while mindful of containing rental expenses within reasonable levels; raising the efficiency of each individual store; and to ultimately achieve sustainable same-store sales growth. In respect of optimising its retail network, the Group will elect to either relocate or renovate certain shops, moving outlets to locations that are still within the vicinity of those that are to be superseded so as to capitalise on lower rent, and thereby maintain fair returns. In addition, the Group will open stores in or near major new commercial developments to enrich its shop portfolio and strengthen its presence.

With regards to the Mainland China and Taiwan markets, the management remains prudent about the Group's performance in the two regions. In the China market, the environment will remain challenging due to the ongoing economic slowdown. Nonetheless, opportunities may arise as rental pressure is lessened and the Group leverages its rich experience from operating in the country over the past year to explore new ventures. While doing so, the Group will be able to capitalise on an already streamlined network, as well as a well-recognised brand name. The management will closely monitor the Mainland China market, and will adjust the product mix and retail structure in line with local developments. Across in Taiwan, the Group has cleared much of its inventory following the promotional activities conducted during the year under review. It can now focus on introducing new products to address the needs of local customers.

Aside from the use of physical stores, the Group has been proactively exploring new sales channels, including online platforms to cater for changing consumer behaviour. The Group launched several online shopping platforms within its website and via Tmall.com in early 2014. The Group will recruit more professional staff to further develop its online shopping platforms, and thereby create a new robust network to support its existing business.

It is worth noting as well that the management has been actively exploring new avenues to raise cost efficiency, including using better and cheaper raw materials from new regions. Towards similar objectives, the management has been carefully examining methods to reduce workflow processes, which have the benefits of optimising operations, shortening the time for restocking inventory and expediting new product launches. Through these efforts, the Group will be able to bolster the foundation on which sustainable and long-term growth can be realised.

DIVIDEND

An interim dividend of HK1.5 cents per ordinary share for the six months ended 30 September 2013 (2012: HK1.0 cent) was paid on **28 January 2014**.

The Directors recommended the payment of a final dividend of HK14.0 cents (2013: HK10.1 cents) per ordinary share for the year ended 31 March 2014. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend will be payable on or before **Friday, 12 September 2014** to shareholders whose names appear on the register of members on **Friday, 22 August 2014**.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "**AGM**") is scheduled on **Thursday, 14 August 2014**. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from **Tuesday, 12 August 2014** to **Thursday, 14 August 2014**, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on **Monday, 11 August 2014**.

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 **Friday, 22 August 2014**. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from **Wednesday, 20 August 2014** to **Friday, 22 August 2014**, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on **Tuesday, 19 August 2014**.

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 year ended 31 March 2014 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 (the "**Model Code**") 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 year ended 31 March 2014.

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 year ended 31 March 2014.

REVIEW OF FINANCIAL INFORMATION

An audit committee of the Company (the "**Audit Committee**") with written terms of reference comprises three independent non-executive directors. The Audit Committee has reviewed with management and external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the consolidated financial statements for the year ended 31 March 2014.

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 March 2014 have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year under review. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

PUBLICATION OF THE FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The final results announcement for the year ended 31 March 2014 is published on the website of the Company (www.bauhaus.com.hk) and the Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The Company's 2013/14 annual report will be dispatched to the shareholders of the Company and made available on the above websites in due course.

APPRECIATION

On behalf of the Board, 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 our 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, 23 June 2014

BOARD OF DIRECTORS

As at the date of this announcement, the board of directors comprises three executive directors, namely Mr. Wong Yui Lam, Madam Lee Yuk Ming and Mr. Yeung Yat Hang and three independent non-executive directors, namely Dr. Wong Yun Kuen, Mr. Chu To Ki and Mr. Mak Wing Kit.