



bauhaus

interim report 2014

BAUHAUS INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 483)

Contents

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

Key Financial Ratios		Notes	Period 4-9/2014	Period 4-9/2013	Change +/-
Performance					
Gross Margin	(%)	1	62.5	63.5	-1.0% pt.
Net Profit Margin	(%)	2	3.3	2.9	+0.4% pt.
Return on Average Equity (Annualised)	(%)	3	6.1	5.4	+0.7% pt.
Return on Average Assets (Annualised)	(%)	4	4.8	4.2	+0.6% pt.
Operating					
Inventory Turnover Days (Annualised)		5	243	271	-28 days
Debtors' Turnover Days (Annualised)		6	11	16	-5 days
Creditors' Turnover Days (Annualised)		7	34	31	+3 days
Liquidity and Gearing					
Current Ratio		8	3.0	2.8	+7.1%
Quick Ratio		9	1.2	1.0	+20.0%
Gearing Ratio	(%)	10	2.3	4.4	-2.1% pts.
Per Share Data					
Book Value Per Share	(HK cents)	11	181.6	160.8	+12.9%
Basic Earnings Per Share	(HK cents)	12	5.7	4.5	+26.7%
Diluted Earnings Per Share	(HK cents)	13	5.7	4.5	+26.7%
Interim Dividend Per Share	(HK cents)		1.5	1.5	-

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 equity holders of the parent divided by turnover for the period.
- 3 "Return on Average Equity" represents the annualised profit for the period attributable to equity holders of the parent divided by average of opening and closing balance of shareholders' equity.
- 4 "Return on Average Assets" represents the annualised profit for the period attributable to equity holders of the parent divided by average of opening and closing balance of total assets.
- 5 "Inventory Turnover Days" is based on average of opening and closing balance of inventories divided by cost of sales and then multiplied by number of days during the period.
- 6 "Debtors' Turnover Days" is based on average of opening and closing balance of trade receivables divided by turnover and then multiplied by number of days during the period.
- 7 "Creditors' Turnover Days" is based on average of opening and closing balance of trade payables divided by purchases and then multiplied by number of days during the period.
- 8 "Current Ratio" represents current assets divided by current liabilities.
- 9 "Quick Ratio" represents current assets less inventories then divided by current liabilities.
- 10 "Gearing Ratio" represents total interest-bearing bank borrowings divided by total assets.
- 11 "Book Value Per Share" represents shareholders' equity divided by the total number of issued shares at the end of reporting period of 364,960,000 (2013: 359,450,000).
- 12 "Basic Earnings Per Share" is calculated as the profit for the period attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period under review of 364,836,715 (2013: 359,450,000).
- 13 "Diluted Earnings Per Share" is calculated as the profit for the period attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period under review and all dilutive potential ordinary shares of 366,014,723 (2013: 359,450,000) in aggregate.

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

Cricknet 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
Level 22, Hopewell Centre
183 Queen's Road East
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 2014 No. of shares	As at 31 March 2014 No. of shares
Shares			
Authorised shares	:	2,000,000,000	2,000,000,000
Issued shares	:	364,960,000	364,810,000
		FY 2014/15 (Half-year) HK cents	FY 2013/14 (Half-year) HK cents
Basic earnings per share	:	5.7	4.5
Diluted earnings per share	:	5.7	4.5
Interim dividend per share	:	1.5	1.5

Key dates

2013/14 annual results announcement	:	23 June 2014
Closure of Register of Members for 2013/14 annual general meeting	:	12 August 2014 to 14 August 2014 (both days inclusive)
2013/14 annual general meeting	:	14 August 2014
Closure of Register of Members for 2013/14 proposed final dividend	:	20 August 2014 to 22 August 2014 (both days inclusive)
Payment of 2013/14 final dividend	:	12 September 2014
2014/15 interim results announcement	:	25 November 2014
Closure of Register of Members for 2014/15 interim dividend	:	30 December 2014 to 2 January 2015 (both days inclusive)
Payable of 2014/15 interim dividend	:	23 January 2015
Official website	:	www.bauhaus.com.hk
Financial year end	:	31 March
Interim period end	:	30 September

06 Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2014

		Six months ended 30 September 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
REVENUE	3	636,250	549,798
Cost of sales		(238,385)	(200,903)
GROSS PROFIT		397,865	348,895
Other income and gains	4	2,974	611
Selling and distribution expenses		(321,571)	(272,174)
Administrative expenses		(52,089)	(50,800)
Other expenses		(2,283)	(3,446)
Finance costs	5	(42)	(428)
PROFIT BEFORE TAX	6	24,854	22,658
Income tax expense	7	(3,994)	(6,654)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		20,860	16,004
OTHER COMPREHENSIVE INCOME to be reclassified to profit or loss in subsequent periods:			
Currency translation differences		1,298	1,461
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		22,158	17,465
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic		5.7 HK cents	4.5 HK cents
Diluted		5.7 HK cents	4.5 HK cents
INTERIM DIVIDEND	9	5,475	5,428
INTERIM DIVIDEND PER SHARE	9	1.5 HK cents	1.5 HK cents

07 Condensed Consolidated Statement of Financial Position

As at 30 September 2014

	Notes	As at 30 September 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		147,423	145,309
Intangible assets		1,054	1,203
Rental, utility and other non-current deposits		95,583	80,273
Deferred tax assets		28,886	23,886
Total non-current assets		272,946	250,671
CURRENT ASSETS			
Inventories		365,652	268,427
Trade receivables	10	37,133	41,482
Prepayments, deposits and other receivables		33,062	26,769
Tax recoverable		2,716	4,967
Cash and cash equivalents		156,193	260,221
Total current assets		594,756	601,866
CURRENT LIABILITIES			
Trade payables	11	80,721	38,754
Other payables and accruals		84,475	106,942
Interest-bearing bank borrowings	12	20,000	–
Tax payable		13,237	9,174
Total current liabilities		198,433	154,870
NET CURRENT ASSETS		396,323	446,996
TOTAL ASSETS LESS CURRENT LIABILITIES		669,269	697,667
NON-CURRENT LIABILITIES			
Deferred tax liabilities		6,344	6,288
NET ASSETS		662,925	691,379
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	13	36,496	36,481
Reserves		620,954	603,825
Proposed dividend		5,475	51,073
TOTAL EQUITY		662,925	691,379

08 Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2014

	Notes	Issued 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 dividend HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
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 2013 dividend declared and paid		-	-	-	-	-	-	(36,305)	-	(36,305)
Interim 2014 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
At 1 April 2014 (audited)		36,481	99,818	744	10,075	25,827	10,116	51,073	457,245	691,379
Issue of shares by exercise of share options		15	338	-	(78)	-	-	-	-	275
Total comprehensive income for the period		-	-	-	-	1,298	-	-	20,860	22,158
Equity-settled share option arrangements	14	-	-	-	207	-	-	-	-	207
Proposed final 2014 dividend		-	-	-	-	-	-	21	(21)	-
Final 2014 dividend declared and paid		-	-	-	-	-	-	(51,094)	-	(51,094)
Interim 2015 dividend	9	-	-	-	-	-	-	5,475	(5,475)	-
At 30 September 2014 (unaudited)		36,496	100,156*	744*	10,204*	27,125*	10,116*	5,475	472,609*	662,925

* These reserve accounts comprise the consolidated reserves of HK\$620,954,000 (31 March 2014: HK\$603,825,000) in the condensed consolidated statement of financial position.

09 Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2014

	Six months ended 30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows from/(used in) operating activities	(50,447)	2,257
Net cash flows used in investing activities	(23,964)	(22,720)
Net cash flows used in financing activities	(30,819)	(44,852)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(105,230)	(65,315)
Cash and cash equivalents at beginning of period	260,221	197,876
Effect of foreign exchange rate changes, net	1,202	1,293
CASH AND CASH EQUIVALENTS AT END OF PERIOD	156,193	133,854
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	156,193	133,854

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 2014 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and basis of preparation adopted in the preparation of the Interim Financial Statements are the same as those used in the annual financial statements for the year ended 31 March 2014, 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 2014 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 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures of Non-Financial Assets</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

The adoption of the New Standards has had no significant financial effect on the Group's results of operations and financial position.

2.2 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 Interim Financial Statements.

HKFRS 9	<i>Financial Instruments</i> ⁴
HKFRS 10 and HKAS 28 Amendments	<i>Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures</i> ²
HKFRS 11 Amendments	Amendments to HKFRS 11 <i>Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations</i> ²
HKFRS 14	<i>Regulatory Deferral Accounts</i> ²
HKFRS 15	<i>Revenue from Contract with Customers</i> ³
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 <i>Property, Plant and Equipment</i> and HKAS 38 <i>Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation</i> ²
HKAS 16 and HKAS 41 Amendments	<i>Agriculture: Bearer Plants</i> ²
HKAS 19 Amendments	Amendments to HKAS 19 <i>Employee Benefits – Defined Benefit Plans: Employee Contributions</i> ¹
HKAS 27 Amendments <i>Annual Improvements 2010-2012 Cycle</i>	<i>Equity Method in Separate Financial Statements</i> ² Amendments to a number of HKFRSs issued ¹
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs issued ¹
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs issued ²

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 January 2018

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.

13 Notes to Condensed Consolidated Financial Statements

30 September 2014

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 2014 (Unaudited)					
Segment revenue:					
Sales to external customers	462,324	61,384	106,432	6,110	636,250
Intersegment sales	4,505	11,345	75,315	305	91,470
	466,829	72,729	181,747	6,415	727,720
<i>Reconciliation:</i>					
Elimination of intersegment sales					(91,470)
Revenue					636,250
Segment results:					
	56,289	742	(5,544)	1,363	52,850
<i>Reconciliation:</i>					
Interest income					193
Finance costs					(42)
Unallocated expenses					(28,147)
Profit before tax					24,854
Other segment information:					
Capital expenditure	14,715	2,530	6,221	–	23,466
Unallocated capital expenditure					498
Total capital expenditure					23,964
Depreciation	10,433	2,461	4,171	–	17,065
Unallocated depreciation					2,909
Total depreciation					19,974
As at 30 September 2014 (Unaudited)					
Segment assets:					
<i>Reconciliation:</i>					
Deferred tax assets					28,886
Tax recoverable					2,716
Unallocated assets					168,107
Total assets	393,424	122,105	146,038	6,426	667,993
Segment liabilities:					
<i>Reconciliation:</i>					
Deferred tax liabilities					6,344
Tax payable					13,237
Interest-bearing bank borrowings					20,000
Unallocated liabilities					17,377
Total liabilities	101,618	29,654	16,087	460	147,819
Segment non-current assets:					
<i>Reconciliation:</i>					
Deferred tax assets					28,886
Unallocated non-current assets					94,996
Total non-current assets	115,336	16,976	16,106	646	149,064
Total non-current assets					272,946

30 September 2014

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
<i>Reconciliation:</i>					
Elimination of intersegment sales					(73,679)
Revenue					549,798
Segment results:					
	51,971	(1,050)	(6,445)	2,873	47,349
<i>Reconciliation:</i>					
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 31 March 2014 (Audited)					
Segment assets:					
	379,673	119,227	118,593	6,721	624,214
<i>Reconciliation:</i>					
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
<i>Reconciliation:</i>					
Deferred tax liabilities					6,288
Tax payable					9,174
Unallocated liabilities					12,703
Total liabilities					161,158
Segment non-current assets:					
	108,815	16,077	14,500	678	140,070
<i>Reconciliation:</i>					
Deferred tax assets					23,886
Unallocated non-current assets					86,715
Total non-current assets					250,671

30 September 2014

4. OTHER INCOME AND GAINS

	Group	
	Six months ended	
	30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	193	157
Foreign exchange differences, net	1,534	–
Others	1,247	454
	2,974	611

5. FINANCE COSTS

	Group	
	Six months ended	
	30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	42	428

30 September 2014

6. PROFIT BEFORE TAX

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

	Group	
	Six months ended	
	30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	229,320	206,423
Provision/(write-back of provision) for slow-moving inventories, net, included in cost of sales	9,065	(5,520)
Depreciation	19,974	16,504
Rental expenses under operating leases in respect of land and buildings:		
Minimum lease payments	125,412	115,923
Contingent rents	31,447	28,091
	156,859	144,014
Rental expenses under operating leases in respect of equipment:		
Minimum lease payments	307	311
Contingent rents	31	15
	338	326
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and other benefits	102,923	91,580
Equity-settled share option expense	207	515
Pension scheme contributions	5,173	5,236
	108,303	97,331
Loss on disposal of items of property, plant and equipment, net	945	1,408
Impairment of items of property, plant and equipment	1,004	–
Amortisation of intangible assets	161	152
Write-off of intangible assets	11	19
Write-off of rental deposits	–	1,313

30 September 2014

7. INCOME TAX

	Group	
	Six months ended	
	30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
– Hong Kong	6,740	8,114
– Elsewhere	2,171	2,960
Deferred tax credit	(4,917)	(4,420)
Total tax charge for the period	3,994	6,654

Hong Kong profit tax has been provided at a rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2014. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

30 September 2014

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\$20,860,000 (2013: HK\$16,004,000) and the weighted average number of ordinary shares of 364,836,715 (2013: 359,450,000) in issue during the six months ended 30 September 2014.

The calculation of the diluted earnings per share is based on the profit for the period attributable to equity holders of the parent. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during the six months period, 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:

	Group Six months ended 30 September 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Earnings		
Profit attributable to equity holders of the parent used in the basic earnings per share calculation	20,860	16,004
<hr/>		
Number of Shares		
<hr/>		
Shares		
Weighted average number of ordinary shares in issue during the six months period used in the basic earnings per share calculation	364,836,715	359,450,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	1,178,008	–
	366,014,723	359,450,000

30 September 2014

9. DIVIDEND

A final dividend of HK\$51,094,000 for the year ended 31 March 2014 (2013: HK\$36,305,000) was paid in September 2014.

	Six months ended	
	30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim – 1.5 HK cents (2013: 1.5 HK cents) per ordinary share	5,475	5,428

The Directors declared to pay an interim dividend of 1.5 HK cents (2013: 1.5 HK cents) per ordinary share for the six months ended 30 September 2014 payable on or about Friday, 23 January 2015 to shareholders whose names appear on the register of members of the Company on Friday, 2 January 2015. The interim dividend is not reflected as a dividend payable as of 30 September 2014, but will be reflected as an appropriation of retained earnings of the Company for the year ending 31 March 2015.

10. TRADE RECEIVABLES

Retail sales and online 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.

30 September 2014

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	As at
	30 September	31 March
	2014	2014
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 90 days	36,619	40,269
91 to 180 days	126	155
181 to 365 days	64	851
Over 365 days	324	207
	37,133	41,482

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	As at
	30 September	31 March
	2014	2014
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 90 days	79,893	36,887
91 to 180 days	467	1,656
181 to 365 days	170	173
Over 365 days	191	38
	80,721	38,754

30 September 2014

12. INTEREST-BEARING BANK BORROWINGS

	Group	
	As at	As at
	30 September	31 March
	2014	2014
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Bank loans repayable within one year or on demand	20,000	–

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\$64,048,000 (31 March 2014: HK\$64,752,000); 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 (31 March 2014: HK\$100,240,000 and HK\$30,000,000).
- (b) At the end of the reporting period, the bank loans were bearing interest at variable rates ranging from 2% to 3% (31 March 2014: Nil) per annum.
- (c) All borrowings are in Hong Kong dollars.

The Company did not have any interest-bearing bank borrowings as at 30 September 2014 and 31 March 2014.

30 September 2014

13. SHARE CAPITAL

	Company	
	As at	As at
	30 September	31 March
	2014	2014
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.1 each	200,000	200,000
Issued and fully paid:		
364,960,000 (31 March 2014: 364,810,000) ordinary shares of HK\$0.1 each	36,496	36,481

During the six months ended 30 September 2014, the movement in share capital was that the subscription rights attaching to 150,000 share options were exercised at the subscription price of HK\$1.83 per share, resulting in the issue of 150,000 shares of HK\$0.1 each for a total cash consideration, before expenses of HK\$275,000, which resulted in additions of issued capital and share premium of HK\$15,000 and HK\$260,000, respectively. An amount of HK\$78,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

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.

30 September 2014

14. SHARE OPTION SCHEME *(continued)*

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 2014 (Unaudited)		For the year ended 31 March 2014 (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	4,140	1.830	10,170
Exercised during the period/year	1.830	(150)	1.830	(5,360)
Forfeited during the period/year	-	-	1.830	(670)
At end of period/year	1.830	3,990	1.830	4,140

The Group recognised a share option expense of HK\$207,000 during the six months ended 30 September 2014 (2013: HK\$515,000).

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 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
Bank guarantees given in lieu of utility and property rental deposits	5,226	7,594

As at 30 September 2014, the general banking facilities granted to certain subsidiaries subject to guarantees given to banks by the Company of HK\$100,240,000 (31 March 2014: HK\$100,240,000) were utilised to the extent of HK\$31,430,000 (31 March 2014: HK\$15,462,000).

30 September 2014

16. OPERATING LEASE ARRANGEMENTS – AS LESSEE

The Group, as lessee, leases its retail shops and certain of its offices and warehouses under operating lease arrangements with lease terms ranging from one to 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	As at
	30 September	31 March
	2014	2014
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within one year	237,923	228,000
In the second to fifth year, inclusive	266,585	255,382
Over five years	14,552	7,239
	519,060	490,621

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 2014 (31 March 2014: Nil).

30 September 2014

17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	As at	As at
	30 September	31 March
	2014	2014
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
<hr/>		
Contracted, but not provided for:		
Land and buildings	46,800	–

The Company had no material capital commitments as at 30 September 2014 (31 March 2014: Nil).

18. RELATED PARTY TRANSACTIONS**(a) Transactions with related parties**

	Group	
	Six months ended	
	30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Computer system maintenance charges paid to related companies	41	18

(b) Compensation of key management personnel of the Group

Short-term employee benefits	2,006	1,952
Equity-settled share option expense	33	89
Post-employment benefits	35	32
<hr/>		
Total compensation paid to key management personnel	2,074	2,073

19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the board of directors on 25 November 2014.

BUSINESS REVIEW

Encouragingly, the Group recorded a record-high half-year sales of approximately HK\$636.3 million (2013: HK\$549.8 million) and achieved an interim profit of about HK\$20.9 million (2013: HK\$16.0 million) for the six months ended 30 September 2014. The net profit for the period increased significantly by around 30.6% and net margin improved to about 3.3% (2013: 2.9%).

Actually, the market conditions remained uncertain as a result of a slowdown in Mainland China's economy growth, volatile retail sentiment and fierce competition among fashion retail players. In addition, the operating environments where the Group operates were unfavorable to retailers as high rentals remained despite weaker domestic demand and market growth momentum. To confront the challenges, the Group has successfully managed to improve effectiveness and efficiency in its shop operations. Stronger sales growth in the existing store portfolio was also achieved through effective marketing efforts. With an 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.

As at 30 September 2014, the Group had a total of 216 shops in operation (31 March 2014: 214).

	As at 30 September 2014	As at 31 March 2014	Changes
Self-managed outlets			
Hong Kong & Macau	85	84	+1
Taiwan	89	87	+2
Mainland China	26	26	–
	200	197	+3
Franchised outlets			
Mainland China	16	17	–1
TOTAL	216	214	+2

Hong Kong and Macau

The retail operations in Hong Kong and Macau, accounting for about 72.7% (2013: 68.8%) of the Group's turnover, sustained strong sales growth of around 22.3% to approximately HK\$462.3 million (2013: HK\$378.1 million) for the six months ended 30 September 2014. The Group has also recorded a strong positive same-store-sales growth rate of about 20% for the period under review. It 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 certain 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. As a result of remarkable same-store-sales growth, segment profit before tax of the Group's Hong Kong and Macau operations increased to about HK\$56.3 million (2013: HK\$52.0 million) for the six months ended 30 September 2014.

Mainland China

After a series of difficult restructuring exercises of the Group's Mainland China operations in previous years, including closure of loss-making self-managed retail shops and poorly-managed franchised stores, the business performance in the segment has gradually stabilised. Though the segment reported a slight drop in turnover of about 6.5% to about HK\$61.4 million (2013: HK\$65.7 million) and a negative same-store-sales growth of about 1% during the six months ended 30 September 2014, the segment successfully resumed a profit of about HK\$0.7 million (2013: loss of HK\$1.1 million) in the period under review.

As at 30 September 2014, the Group operated 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. The Group continued to carefully monitor the performance and operating effectiveness of its business portfolio. It still expects more time is required to gradually resume stronger profitability and re-build an optimal business scale.

Taiwan

In Taiwan, the local retail market has not yet fully recovered. Because of prolonged stagnant retail consumption, the Group still has to provide extensive promotional offerings to attract customers and to galvanise sales. During the period under review, the Group recorded a positive same-store-sales growth rate of about 1% and the total sales in Taiwan achieved a double-digit growth of about 11.2% to about HK\$106.5 million (2013: HK\$95.8 million). However, the segment continued to incur a loss of about HK\$5.5 million (2013: HK\$6.4 million) during the period under review. The Group has 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 40.2% to about HK\$6.1 million (2013: HK\$10.2 million). The drop was mainly attributable to the significant decrease in sales to the Japanese market. Owing to the significant depreciation of the Japanese yen against the United States dollar during the period under review, the sales demand of the Japanese customers on the Group's exported items 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 15.7% to approximately HK\$636.3 million (2013: HK\$549.8 million) for the six months ended 30 September 2014. The major components of the Group's turnover by business were as follows:

	Six months ended 30 September 2014 HK\$ million	Six months ended 30 September 2013 HK\$ million	Changes
Retail	615.4	530.5	+16.0%
Franchise	11.5	8.9	+29.2%
Wholesales	6.0	10.3	-41.7%
Online	3.4	0.1	+3300.0%
TOTAL	636.3	549.8	+15.7%

As indicated above, the retail business was the largest sales contributor, accounting for approximately 96.7% (2013: 96.5%) of total turnover and achieving a year-on-year growth of about 16.0%.

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\$397.9 million (2013: HK\$348.9 million) for the six months ended 30 September 2014 while gross margin dropped slightly by about one percentage point to around 62.5% (2013: 63.5%) when compared with the same period last year. The Group increased the extent of sales promotions to customers to boost sales growth and to reduce slow-moving inventories.

Operating Expenses and Finance Costs

Operating expenses increased by about 15.2% to approximately HK\$375.9 million (2013: HK\$326.4 million) for the six months ended 30 September 2014, equivalent to roughly 59.1% of total turnover (2013: 59.4%). Rent for land and buildings rose by about 8.9% to approximately HK\$156.9 million (2013: HK\$144.0 million), which accounted for about 24.7% (2013: 26.2%) of the Group's turnover and equivalent to about 41.7% (2013: 44.1%) of the Group's total expenses during the period under review. The Group not only continued to strategically relocate and consolidate retail shops to moderate rental increment in its retail portfolio, but also successfully enhanced the same-store-sales growth rate of existing shops, particularly in Hong Kong and Macau.

Staff cost was another major operating expense that increased to approximately HK\$108.3 million (2013: HK\$97.3 million) during the six months ended 30 September 2014. Staff cost-to-sales ratio, however, came down to about 17.0% (2013: 17.7%) 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 and streamlined operations in supporting back offices, the Group managed to alleviate the staff cost increment in line with sales growth and to maintain the staff cost-to-sales ratio at a healthy level.

Depreciation charges increased to approximately HK\$20.0 million (2013: HK\$16.5 million) for the six months ended 30 September 2014. Marketing expenses, including advertising, promotion and exhibition expenses, increased significantly to approximately HK\$26.8 million (2013: HK\$10.3 million) during the period under review as the Group devoted much greater efforts to marketing in the 2014 spring/summer sales season, including launch of television advertising campaigns, to galvanise sales growth. In addition, the finance cost was approximately HK\$42,000 (2013: HK\$0.4 million), which represented the interest expenses paid for bank borrowings.

Net Profit

The Group's net profit for the six months ended 30 September 2014 jumped significantly by about 30.6% from approximately HK\$16.0 million in the corresponding period of 2013 to approximately HK\$20.9 million. Net profit margin also improved from about 2.9% to about 3.3%.

SEASONALITY

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

CAPITAL STRUCTURE

As at 30 September 2014, the Group had net assets of approximately HK\$662.9 million (31 March 2014: HK\$691.4 million), comprising non-current assets of approximately HK\$272.9 million (31 March 2014: HK\$250.7 million), net current assets of approximately HK\$396.3 million (31 March 2014: HK\$447.0 million) and non-current liabilities of approximately HK\$6.3 million (31 March 2014: HK\$6.3 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2014, the Group had cash and cash equivalents of approximately HK\$156.2 million (31 March 2014: HK\$260.2 million). At the end of the reporting period, the Group had aggregate general banking facilities of approximately HK\$134.9 million (31 March 2014: HK\$134.9 million) comprising interest-bearing bank overdraft, revolving loans, rental and utility guarantees as well as import facilities, of which approximately HK\$103.5 million had not been utilised. In particular, the Group had bank borrowings of approximately HK\$20.0 million as at 30 September 2014 (31 March 2014: Nil), which were in Hong Kong dollars, repayable within one year or on demand and bearing interest at variable rates ranging from 2% to 3% (31 March 2014: Nil) 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 2.3% (31 March 2014: Nil).

CASH FLOWS

For the six months ended 30 September 2014, net cash flows used in operating activities were approximately HK\$50.4 million (2013: cash inflows of HK\$2.3 million), which was mainly attributed to a substantial increase in inventories for coming sales peak season in the second-half of the financial year. Net cash flows used in investing activities of approximately HK\$24.0 million (2013: HK\$22.7 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\$30.8 million (2013: HK\$44.9 million). This was mainly attributable to payment of 2013/14 final dividends.

SECURITY

As at 30 September 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\$64.0 million (31 March 2014: HK\$64.8 million) and cross guarantees from the Company and a subsidiary of the Group.

CAPITAL COMMITMENT

As at 30 September 2014, the Group had about HK\$46.8 million capital commitments in respect of acquisition of items of land and buildings contracted, but not provided for in the Interim Financial Statements (31 March 2014: Nil).

The Company had no material capital commitments at the end of the reporting period (31 March 2014: Nil).

CONTINGENT LIABILITIES

As at 30 September 2014, 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 2014: HK\$7.6 million). As at 30 September 2014, the general banking facilities granted to certain subsidiaries subject to guarantees given to banks by the Company of HK\$100.2 million (31 March 2014: HK\$100.2 million) were utilised to the extent of about HK\$31.4 million (31 March 2014: HK\$15.5 million).

HUMAN RESOURCES

Including all Directors, the Group had 1,290 (31 March 2014: 1,363) employees as at 30 September 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 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 and raw materials from overseas suppliers.

PROSPECTS

Moving forward, the challenging operating environment is expected to persist due to ongoing high rent, rising production costs and soaring labour expenses. The recent "Occupy Central" related protests in Hong Kong have affected certain core shopping districts where the Group has retail outlets. Should the protest movement continue, it would create uncertainties and adversely affect consumer sentiment during the seasonal peak shopping festivals during the second-half of the financial year. Nevertheless, the Group will continue to leverage its unique position as one of the most popular Hong Kong local brands and its diversified trendy brand portfolio to address the present market conditions and transform the challenges into opportunities.

Adhering to the Group's proven strategy to focus merchandising resources and marketing efforts on key products, highlighted by leather jackets and accessories such as SALAD handbags and wallets, the management has initiated aggressive steps to diversify its product portfolio, including utilising different materials, mixing and matching various colours and creating customised products which infuse in the brand a whole new dimension in fun and fashion apparel. Extensive efforts and effective marketing campaigns have been implemented to further enhance the brand awareness. This success is most evident in the "SALAD – Carry Me" promotion campaign which has successfully revitalised a trendy image to attract professional young ladies. The next stage, the "SALAD – Carry Me Fantasy" promotion campaign through various mass media launched this year has attracted the attention of a wider segment of consumers towards the latest collection of SALAD-branded handbags. Following on the heels of these activities, a pinpointed television advertising campaign with the theme of "BAUHAUS Leather, You Can't Unlove" has been rolled out during November 2014 to fully capitalise on consumption sentiment peaks during the upcoming Christmas season and the Chinese New Year.

Apart from its merchandising strategy of upgrading its product mix, the Group has also assigned enhancing overall efficiency of its operations and profitability as its top priorities. Towards these ends, the Group has been devoting efforts to discreetly optimise its retail network within its key markets. As Hong Kong and Macau remain the principal markets of the Group, the management will strive to further bolster its presence in these two regions while keeping rental expenses at reasonable levels and raising the efficiency and productivity of each individual store. As for the China market, the Group has embarked on aggressively restructuring its network to stabilise its business and has gradually reaped positive results. To optimise a more streamlined network, the Group has also opened “smaller-scale” SALAD-branded shops within dense shopping malls to take advantage of more reasonable rental costs and greater pedestrian traffic. The sales performance from these stores has been promising while a greater improvement has been observed in overall efficiency. The Group will continue this tactic of optimising operations to strengthen its presence in the region.

To expand its sales channels and diversify its revenue streams, the Group has been proactively exploring online platforms to address changing consumer behaviour and extend its reach. The Group has revamped its corporate website with better catering for online shopping and presenting customers more convenient access of the most up-to-date news and promotions. It has also cooperated with a newly launched local mobile TV station in Hong Kong and Tmall.com to further expand its online sales network and marketing reach. The Group will allocate additional resources to tap this new market area offering immense potential, and thereby initiate an innovative way to expand its existing business.

At the same time, the Group will actively explore new avenues to maintain a strong and healthy financial position. A number of initiatives have been planned, including a careful review to reduce workflow processes, a more cautious approach in inventory restocking and tighter control over advertising expenses through selecting advertising media with a higher value at reasonable rates. With a clear roadmap in place supported by a prudent strategy, the Group will be better able to bolster the foundation on which sustainable, long-term growth can be realised.

The Directors declared to pay an interim dividend of 1.5 HK cents per ordinary share for the six months ended 30 September 2014 (2013: 1.5 HK cents) payable on or about **Friday, 23 January 2015** to shareholders whose names appear on the register of members of the Company on **Friday, 2 January 2015**.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from **Tuesday, 30 December 2014** to **Friday, 2 January 2015**, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on **Monday, 29 December 2014**.

DIRECTORS' INTERESTS IN SECURITIES

At 30 September 2014, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) Long positions in ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Through a discretionary trust/as beneficiary or trustee of trust		
Mr. Wong Yui Lam	700,000	29,900,000 <i>(note)</i>	180,000,000 <i>(note)</i>	210,600,000	57.71%
Madam Lee Yuk Ming	250,000	–	–	250,000	0.07%
Mr. Yeung Yat Hang	4,334,000	–	–	4,334,000	1.19%

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	550,000
Mr. Yeung Yat Hang	200,000
	750,000

(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 2014, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporation that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section of "Share Option Scheme" below, at no time during the six months ended 30 September 2014 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 2014:

Name or category of participant	Number of share options					At 30 September 2014	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share
	At 1 April 2014	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited during the period				
Directors									
Madam Lee Yuk Ming	250,000	-	-	-	-	250,000	13 Jan 12	12 Jan 14 to 12 Jan 17	1.830
	300,000	-	-	-	-	300,000	13 Jan 12	12 Jan 15 to 12 Jan 17	1.830
	550,000	-	-	-	-	550,000			
Mr. Yeung Yat Hang	200,000	-	-	-	-	200,000	13 Jan 12	12 Jan 15 to 12 Jan 17	1.830
Other employees									
In aggregate	210,000	-	-	-	-	210,000	13 Jan 12	12 Jan 13 to 12 Jan 17	1.830
	520,000	-	(150,000)	-	-	370,000	13 Jan 12	12 Jan 14 to 12 Jan 17	1.830
	2,660,000	-	-	-	-	2,660,000	13 Jan 12	12 Jan 15 to 12 Jan 17	1.830
	3,390,000	-	(150,000)	-	-	3,240,000			
	4,140,000	-	(150,000)	-	-	3,990,000			

Notes to the table of share options outstanding during the six months ended 30 September 2014:

- * 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 and the date of this report, the Company had 3,990,000 share options outstanding under the Scheme, which represented approximately 1.1% of the Company’s shares in issue as at these dates. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 3,990,000 additional ordinary shares of the Company and additional share capital of HK\$399,000 and share premium of HK\$6,903,000 (before issue expenses).

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

At 30 September 2014, 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	49.32%
East Asia International Trustees Limited ("EAIT") (note 2)	Long position	–	–	180,000,000	180,000,000	49.32%
Wonder View (note 3)	Long position	29,900,000	–	–	29,900,000	8.19%
Great Elite Corporation ("Great Elite") (note 4)	Long position	34,068,000	–	–	34,068,000	9.33%
David Michael Webb (note 5)	Long position	7,842,000	18,280,000	–	26,122,000	7.16%

Notes:

- The 180,000,000 shares are held by Huge Treasure as trustee of The Wong & Tong Unit Trust, all units of which are owned by The Wong & Tong Family Trust, a discretionary trust established by Mr. Wong Yui Lam, an executive director of the Company and Madam Tong She Man, Winnie, a beneficial shareholder of the Company.
- EAIT is a licensed trustee in the British Virgin Islands and acts as trustee of The Wong & Tong Family Trust. By virtue of its capacity as trustee of The Wong & Tong Family Trust, EAIT is deemed to be interested in the shares held by Huge Treasure (as trustee of The Wong & Tong Unit Trust) under the SFO.
- Wonder View is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. Wong Yui Lam.
- 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.
- 18,280,000 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 2014, no person, other than the directors of the Company, whose interests are set out in the section of “Directors’ interests in securities” above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 September 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 chief executive officer should be separate and should not be performed by the same individual. As the founder of the Group, Mr. Wong has substantial experience in the fashion industry and retail operations. The Directors consider that the present structure provides the Group with strong and consistent leadership which facilitates the development of its 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 the 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 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 six months ended 30 September 2014.

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 2014.

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 2014