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 2017

- Turnover of the Group dropped by about 13.7% to approximately HK$1,305.9 million (2016: HK$1,513.0 million).

- Sales by major operating segment are as follows:

	Year ended 31 March 2017 *HK$ million*	Year ended 31 March 2016 *HK$ million*	Changes
Hong Kong and Macau	**838.4**	1,030.0	–18.6%
Taiwan	**340.6**	342.2	–0.5%
Mainland China	**123.3**	128.8	–4.3%
Elsewhere	**3.6**	12.0	–70.0%

- Gross profit decreased by about 8.4% to approximately HK$817.9 million (2016: HK$892.7 million), while gross margin improved to about 62.6% (2016: 59.0%).

- Net profit increased by about 22.7% to approximately HK$64.9 million (2016: HK$52.9 million) and net margin rose to about 5.0% (2016: 3.5%).

- Basic earnings per share increased to about HK17.7 cents (2016: HK14.4 cents).

- A final dividend of HK7.5 cents (2016: HK6.0 cents) per ordinary share was proposed.

- Dividend payout ratio was about 42.5% of the net profit (2016: 41.6%).

The Board of Directors (the "**Directors**" or "**Board**") 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 2017, prepared on the basis set out in Note 2 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 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	5	**1,305,880**	1,512,996
Cost of sales		**(488,005)**	(620,330)
GROSS PROFIT		**817,875**	892,666
Other income and gains	5	**10,913**	4,500
Gain on deregistration of subsidiaries		**8,111**	–
Selling and distribution expenses		**(645,646)**	(714,514)
Administrative expenses		**(105,643)**	(110,242)
Other expenses		**(11,274)**	(9,757)
Finance cost	7	**(226)**	(796)
PROFIT BEFORE TAX	6	**74,110**	61,857
Income tax expense	8	**(9,233)**	(8,908)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**64,877**	52,949
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Currency translation differences		**(8,210)**	(3,168)
Reclassification adjustments for foreign operations deregistered during the year		**(8,111)**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(16,321)**	(3,168)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**48,556**	49,781
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	10		
Basic		**HK17.7 cents**	HK14.4 cents
Diluted		**N/A**	HK14.4 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**188,713**	200,416
Investment property		**17,700**	–
Intangible assets		**693**	820
Rental, utility and other non-current deposits		**79,891**	78,232
Deferred tax assets		**25,099**	27,988
Total non-current assets		**312,096**	307,456
CURRENT ASSETS			
Inventories		**266,759**	268,110
Trade receivables	*11*	**41,488**	58,347
Prepayments, deposits and other receivables		**28,050**	35,958
Tax recoverable		**6,314**	6,914
Cash and bank balances		**290,436**	219,249
Total current assets		**633,047**	588,578
CURRENT LIABILITIES			
Trade payables	*12*	**31,807**	24,245
Other payables and accruals		**86,460**	76,066
Interest-bearing bank borrowing	*13*	**5,922**	12,876
Tax payable		**5,259**	8,132
Total current liabilities		**129,448**	121,319
NET CURRENT ASSETS		**503,599**	467,259
TOTAL ASSETS LESS CURRENT LIABILITIES		**815,695**	774,715
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**5,098**	5,264
NET ASSETS		**810,597**	769,451
EQUITY			
Equity attributable to equity holders of the parent			
Share capital		**36,738**	36,738
Reserves		**773,859**	732,713
TOTAL EQUITY		**810,597**	769,451

1. CORPORATE INFORMATION

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

During the year, the Group was engaged in the design and retailing of trendy apparel, bags and fashion accessories.

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

2. 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, except for an investment property which has been measured at fair value. 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 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, 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.

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.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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 three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2. BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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.

3. 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 14	*Regulatory Deferral Accounts*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

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

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units that offer products to customers located in different geographical areas. In determining the Group's reportable operating segments, revenues, results, assets and liabilities attributable to the segments are based on the location of the customers. The Group has four reportable operating segments as follows:

(a) Hong Kong and Macau
(b) Taiwan
(c) Mainland China
(d) Elsewhere

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource 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, finance cost, fair value gain on an investment property, gain on deregistration of subsidiaries and unallocated expenses are excluded from this measurement.

Segment assets exclude an investment property, 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, an interest-bearing bank borrowing, tax payable and other unallocated corporate liabilities as these liabilities are managed on a group basis.

Segment non-current assets exclude deferred tax assets, an investment property 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.

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

	Hong Kong and Macau *HK$'000*	Taiwan *HK$'000*	Mainland China *HK$'000*	Elsewhere *HK$'000*	Total *HK$'000*
Year ended 31 March 2017					
Segment revenue:					
Sales to external customers	838,392	340,592	123,313	3,583	1,305,880
Intersegment sales	51,937	159,384	–	–	211,321
	890,329	499,976	123,313	3,583	1,517,201
Reconciliation:					
Elimination of intersegment sales					(211,321)
Revenue					1,305,880
Segment results:	82,936	24,162	3,849	196	111,143
Reconciliation:					
Interest income					323
Finance cost					(226)
Fair value gain on an investment property					1,700
Gain on deregistration of subsidiaries					8,111
Unallocated expenses, net					(46,941)
Profit before tax					74,110
Segment assets:	321,114	186,045	125,686	1,784	634,629
Reconciliation:					
Investment property					17,700
Deferred tax assets					25,099
Tax recoverable					6,314
Unallocated assets					261,401
Total assets					945,143
Segment liabilities:	86,711	10,182	11,529	348	108,770
Reconciliation:					
Deferred tax liabilities					5,098
Interest-bearing bank borrowing					5,922
Tax payable					5,259
Unallocated liabilities					9,497
Total liabilities					134,546
Other segment information:					
Capital expenditure*	27,428	7,530	1,377	48	36,383
Unallocated capital expenditure*					5,832
					42,215
Depreciation	21,019	9,768	3,148	–	33,935
Amortisation of intangible assets	47	38	35	88	208
Unallocated depreciation					6,454
					40,597
Loss on disposal of items of property, plant and equipment, net	1,700	107	327	–	2,134
Unallocated gain on disposal of items of property, plant and equipment, net					(5,313)
					(3,179)
Write-off of rental deposits	3,389	–	117	–	3,506
Provision for doubtful debts and write-off of bad debts	–	–	337	1	338
Impairment of items of property, plant and equipment	4,488	2,756	89	–	7,333

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

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

	Hong Kong and Macau *HK$'000*	Taiwan *HK$'000*	Mainland China *HK$'000*	Elsewhere *HK$'000*	Total *HK$'000*
Year ended 31 March 2016					
Segment revenue:					
Sales to external customers	1,029,940	342,215	128,795	12,046	1,512,996
Intersegment sales	65,317	167,215	–	–	232,532
	1,095,257	509,430	128,795	12,046	1,745,528
Reconciliation:					
Elimination of intersegment sales					(232,532)
Revenue					1,512,996
Segment results:	99,564	6,011	8,139	3,502	117,216
Reconciliation:					
Interest income					471
Finance cost					(796)
Unallocated expenses, net					(55,034)
Profit before tax					61,857
Segment assets:	310,756	189,830	125,579	2,766	628,931
Reconciliation:					
Deferred tax assets					27,988
Tax recoverable					6,914
Unallocated assets					232,201
Total assets					896,034
Segment liabilities:	64,679	9,212	15,808	174	89,873
Reconciliation:					
Deferred tax liabilities					5,264
Interest-bearing bank borrowing					12,876
Tax payable					8,132
Unallocated liabilities					10,438
Total liabilities					126,583
Other segment information:					
Capital expenditure*	31,282	10,340	4,287	105	46,014
Unallocated capital expenditure*					6,008
					52,022
Depreciation	24,747	9,167	4,699	–	38,613
Amortisation of intangible assets	53	45	34	125	257
Unallocated depreciation					6,055
					44,925
Loss on disposal of items of property, plant and equipment, net	2,371	151	357	–	2,879
Unallocated loss on disposal of items of property, plant and equipment, net					249
					3,128
Write-off of rental deposits	1,521	–	382	–	1,903
Provision for doubtful debts and write-off of bad debts	12	–	–	–	12
Impairment of items of property, plant and equipment	3,754	490	176	–	4,420

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

Non-current assets

	2017	2016
	HK$'000	*HK$'000*
Hong Kong and Macau	**110,066**	107,231
Taiwan	**15,728**	19,137
Mainland China	**9,432**	13,571
Elsewhere	**324**	426
	135,550	140,365

Information about major customers

Since none of the Group's sales to a single customer amounted 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 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:

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sale of garment products and accessories	**1,305,880**	1,512,996
Other income		
Bank interest income	**323**	471
Rental income	**503**	–
Forfeiture of franchise deposits	**791**	655
Others	**867**	941
	2,484	2,067
Gains		
Foreign exchange differences, net	**3,550**	2,433
Fair value gain on an investment property	**1,700**	–
Gain on disposal of items of property, plant and equipment, net	**3,179**	–
	8,429	2,433
	10,913	4,500

6. PROFIT BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories sold*	**477,089**	609,300
Depreciation	**40,389**	44,668
Provision for inventories, net*	**10,916**	11,030
Minimum lease payments under operating leases	**238,892**	258,139
Contingent rents under operating leases	**79,948**	86,062
Auditor's remuneration	**2,161**	2,233
Employee benefit expenses (including executive directors' remuneration):	**207,458**	232,840
Wages, salaries and other benefits		
Pension scheme contributions**	**10,795**	11,586
	218,253	244,426
Loss/(gain) on disposal of items of property, plant and equipment, net	**(3,179)**	3,128
Gain on deregistration of subsidiaries	**(8,111)**	–
Amortisation of intangible assets	**208**	257
Write-off of deposits	**3,506**	1,903
Loss on disposal of trademarks	**11**	33
Provision for/write-off of bad and doubtful debts	**338**	12
Fair value gain on an investment property	**(1,700)**	–
Impairment of items of property, plant and equipment	**7,333**	4,420
Direct operating expenses (including repairs and maintenance) arising from a rental-earning investment property	**117**	–

* Included in cost of sales on the face of the consolidated statement of profit or loss and other comprehensive income.

** 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 (2016: Nil).

7. FINANCE COST

An analysis of finance cost is as follows:

	2017	2016
	HK$'000	*HK$'000*
Interest on a bank loan	**226**	796

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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 corporate income tax ("**CIT**") of the People's Republic of China ("**PRC**") is applicable to four (2016: five) subsidiaries located in Mainland China. All of these subsidiaries were subject to the applicable CIT rate of 25% (2016: 25%) during the year ended 31 March 2017.

For the subsidiaries in Macau, one of them (2016: 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.

The Taiwan subsidiary was subject to the applicable tax rate of 17% (2016: 17%) during the year ended 31 March 2017.

	2017 ***HK$'000***	2016 *HK$'000*
Current tax – Hong Kong		
Provision for the year	**2,177**	9,340
Overprovision in prior years	**(103)**	(2,488)
Current tax – PRC		
Provision for the year	**821**	442
Overprovision in prior years	**(280)**	–
Current tax – Elsewhere		
Provision for the year	**3,719**	3,758
Overprovision in prior years	**(28)**	(284)
Deferred tax charge/(credit)	**2,927**	(1,860)
Total tax charge for the year	**9,233**	8,908

9. DIVIDENDS

	2017 ***HK$'000***	2016 *HK$'000*
Proposed final dividend – HK7.5 cents (2016: HK6.0 cents) per ordinary share	**27,554**	22,043
Additional 2016 final dividend paid in relation to share options exercised – Nil (2015 final dividend: HK13.5 cents) per ordinary share	**–**	23
	27,554	22,066

The proposed final dividend for the 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$64,877,000 (2016: HK$52,949,000) and the weighted average number of ordinary shares of 367,380,000 (2016: 367,373,965) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 March 2017. Accordingly, there is no diluted earnings per share for the year.

In the prior 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:

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity holders of the parent, used in the basic earnings per share calculation	**64,877**	52,949
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**367,380,000**	367,373,965
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	291,972
	367,380,000	367,665,937

11. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**41,825**	58,347
Impairment	**(337)**	–
	41,488	58,347

Retail sales (both online and offline) are made on cash terms or by credit card with 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:

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**41,210**	57,175
91 to 180 days	**276**	688
181 to 365 days	**2**	161
Over 365 days	**–**	323
	41,488	58,347

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:

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**31,418**	23,742
91 to 180 days	**345**	178
181 to 365 days	**44**	122
Over 365 days	**–**	203
	31,807	24,245

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

13. INTEREST-BEARING BANK BORROWING

	2017			2016		
	Effective interest rate ***(%)***	**Maturity**	***HK$'000***	Effective interest rate *(%)*	Maturity	*HK$'000*
Current – secured						
Bank loan repayable on demand	**2-3**	**2018**	**5,922**	2-3	2018	12,876

	2017	2016
	HK$'000	*HK$'000*
Analysed into bank loan repayable:		
Within one year or on demand	**5,922**	6,933
In the second year	**–**	5,943
	5,922	12,876

Notes:

(a) The Group's general banking facilities and loan are secured by the Group's buildings situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of approximately HK$114,733,000 (2016: HK$117,269,000).

(b) The loan is in Hong Kong dollars.

14. CONTINGENT LIABILITIES

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

	2017	2016
	HK$'000	*HK$'000*
Bank guarantees given in lieu of utility and property rental deposits	**5,182**	6,812

During the year, the Group early terminated certain leases for properties. Pursuant to the respective lease agreements, the Group may be required to compensate for losses or damages to the respective landlords subject to various conditions. At the reporting date, it is not practicable to estimate the related losses or damages as the outcome which could determine the compensation is not wholly within the control of the Group. In the opinion of the directors, the likelihood of an outflow of resources embodying economic benefits by the Group is uncertain.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the design and retailing of trendy apparels, bags and fashion accessories. It operates self-managed retail stores in Hong Kong, Macau, Taiwan and Mainland China and franchise outlets in Mainland China. The Group's turnover is mostly contributed by its major in-house labels like "SALAD", "TOUGH" and "80/20", as well as some reputable licensed brands including "SUPERDRY".

As at 31 March 2017, the Group had a total of 196 self-managed retail shops/counters in operation (2016: 214).

	As at 31 March 2017	As at 31 March 2016	Change
Number of shops/counters:			
Hong Kong and Macau	**80**	86	–6
Taiwan	**91**	94	–3
Mainland China	**25**	34	–9
TOTAL	**196**	214	–18

Financial year 2016/17 was a challenging year for the Group, with retail markets dragged down by sluggish consumption sentiment. The Group recorded an about 10% negative same-store-sales growth for the year ended 31 March 2017. To cope with the difficult operating environment, aiming for an improved cost structure and a more flexible and robust retail portfolio, the Group decided during the year under review to consolidate its offline retail networks and streamline under-performing retail stores, particularly in Hong Kong. Turnover of the Group therefore inevitably dropped, by about 13.7%, to approximately HK$1,305.9 million for the year under review (2016: HK$1,513.0 million), however, profitability of the Group has since been gradually resuming. Encouragingly, net profit of the Group increased by about 22.7% to about HK$64.9 million (2016: HK$52.9 million) for the year ended 31 March 2017 and its net margin improved to about 5.0% (2016: 3.5%).

In spite of having to operate under the sway of complex market dynamics, the Group still managed to maintain highly flexible operations, with low financial gearing and strong liquidity, bracing it against market challenges. The Group is committed to managing a sustainable retail business focusing on achieving organic growth of its traditional retail networks and also fostering new prospective business platforms.

Hong Kong and Macau

The retail operations in Hong Kong and Macau make up the largest geographical operating segment of the Group. For the year under review, the segment accounted for about 64.2% (2016: 68.1%) of the Group's turnover. With, unfortunately, many negative factors severely dampening performance in the region, an about 13% negative same-store-sales growth was recorded for the year under review and turnover from the region dropped substantially by about 18.6% to approximately HK$838.4 million (2016: HK$1,030.0 million). The segmental profit decreased by about 16.8% to about HK$82.9 million (2016: HK$99.6 million) for the year ended 31 March 2017.

In Hong Kong, the relatively strong performance in exchange rate of Hong Kong dollar discouraged inbound tourist spending and, at the same time, encouraged locals to travel and spend abroad during the year under review. Uncertain local economic prospects and the volatile investment markets were probably also the reasons behind the more cautious local spending sentiment. There has also been a widening product matching gap as a result of rapid changes in consumer preference and the shortening lifespan of fashionable products. And, high shop rentals in the region continued to pose serious cost pressure on the Group. Despite the uncertain economic prospects, rentals in major shopping arcades in the region remained steep and there was no sign of them coming down any time soon and staying low. These adverse factors combined presented substantial difficulties to the Group's operations in the region during the year under review.

Expecting the weak retail climate to continue, the Group saw the need to have a more competitive cost structure. Thus, it proactively streamlined loss-making or under-performing offline retail shops in Hong Kong and consolidated its point-of-sales in the same shopping mall during the year under review. At the same time, however, it strategically placed retail shops in new locations with either better sales potential or a competitive operating cost structure. During the year under review, the Group closed 14 shops in Hong Kong and opened 5 new shops, including one strategically at the Hong Kong International Airport and a "SUPERDRY" flagship shop in Mira Place (the revamped Miramar Shopping Centre). As at 31 March 2017, it had 69 stores in Hong Kong (2016: 78).

The business performance in Macau was relatively stable despite the slump of the city's gaming sector in recent years. Although tourist traffic is expected to stay volatile for a while, the latest figures indicated that retail sentiment in Macau is steadily recovering. The Group extended retail coverage to certain reputable shopping malls, including The Parisian Macao (a grand entertainment and resort complex in Cotai, Macau which opened in September 2016), during the year ended 31 March 2017 and recorded a mild sales growth in Macau.

Taiwan

The retail market in Taiwan was still stagnant. The Group recorded a negative same-store-sales growth of about 3% in Taiwan for the year ended 31 March 2017. The Group, however, closely monitored the effectiveness of its shop merchandise and was able to promptly adjust its retail portfolio in response to the complicated market conditions. Thanks to the professional retail management team and dedicated sales force there, the Group was able to gradually eliminate certain ineffective points-of-sales and revamp its brand mix to boost the appeal of its products to customers. In addition, the Group was able to capitalise on the immense customer traffic to a series of anniversary sales events in major department stores in Taiwan in the second-half of the financial year. Such exertions enabled the Group to achieve sales amounting to approximately HK$340.6 million in the region, on par with that in the previous year (2016: HK$342.2 million). The Group was encouraged that, as a result of gross margin improvement, profit of the segment significantly increased to about HK$24.2 million (2016: HK$6.0 million) against last year.

At the end of the reporting period, the Group operated a total of 91 stores/counters (2016: 94) in Taiwan, present in mainly reputable department stores in nine cities. In addition, the Group increased the number of short-term bargain outlets during the year under review to reduce aged and slow-moving products in inventory.

Mainland China

As at 31 March 2017, the Group ran 25 self-managed retail shops (2016: 34) in Beijing, Shanghai, and Guangzhou and maintained a streamlined franchise network covering mainly second-tier mainland cities. The Group's offline retail network in the region recorded a negative same-store-sales growth of about 3% for the year under review.

The mainland retail markets where the Group operates are considered volatile, but not weak relatively. During the year under review, the Group coordinated its offline and online channels to build a lean and efficient retail network. On the offline side, it revamped most of its stores to "SALAD" specialty stores, which afforded relatively stable sales and profit contributions to the region. In addition to the traditional offline retail network, the Group also proactively developed distribution channels on certain e-commerce platforms like Tmall. While the economic slowdown in Mainland China, which has dampened consumption sentiment, might have affected its offline sales, the Group saw an exponential growth in sales on China's online sales platforms. With business presence online, the Group is gradually achieving seamless retail coverage nationwide at a relatively lower cost.

Turnover from the Mainland China segment just dropped by about 4.3% to about HK$123.3 million (2016: HK$128.8 million) and the region remained profitable, contributing positively by about HK$3.9 million (2016: HK$8.1 million) in segmental profit for the year ended 31 March 2017, despite the substantial decrease in the number of offline retail stores and unsatisfactory same-store-sales growth.

FINANCIAL REVIEW

Turnover and Segment Information

The traditional offline retail business was the largest sales contributor, accounting for approximately 97.1% (2016: 97.3%) of the Group's turnover for the year under review, but a negative same-store-sales growth of about 10% was recorded. Turnover of the Group declined by approximately 13.7% to around HK$1,305.9 million for the year ended 31 March 2017 (2016: HK$1,513.0 million), attributable mainly to the sluggish retail sentiment in many regions where the Group operates and the closure of under-performing and costly stores, particularly in Hong Kong. Details of the Group's turnover and the contribution to profit before tax by segment are shown in Note 4 above.

Gross Profit and Gross Margin

The Group's gross profit decreased to approximately HK$817.9 million for the year ended 31 March 2017 (2016: HK$892.7 million), while gross margin improved to around 62.6% (2016: 59.0%). The Group has worked hard over past years to turn around the dwindling gross margin. Massive bargain sales activities were mounted in the past few years to lower inventory of slow moving products and improve cash position. With those efforts bearing fruit, the Group was able to greatly reduce the scale of bargain sales events during the year under review. In addition, the Group also managed to lower cost of sales at its push to refine strategies and control over procurement, and optimise inventory restocking. The significant depreciation of the pound sterling against Hong Kong dollars also helped to reduce purchase cost of the Group's merchandise.

Operating Expenses and Cost Control

The Group placed much effort on managing expenses during the year under review. On controlling rental costs, a major component of its operating expenses, the Group closed a number of under-performing and costly stores and was more cautious in identifying locations for new stores and striking a balance between prospective sales opportunities and cost efficiency. Rental expenses decreased by about 7.4% to about HK$318.8 million (2016: HK$344.2 million), which accounted for about 41.8% (2016: 41.2%) of the Group's total operating expenses for the year under review. To mitigate market rental increment as well as attain a more cost-effective operating structure, the Group continued the on-going practice of strategically relocating, consolidating and converting its retail portfolio.

The management was also aware of the need to control costs in other work areas. Efforts were made to rationalise work procedures, streamline the workforce to raise effectiveness, manage advertising spending and reduce capital expenditure, etc. Staff cost came down by about 10.7% to approximately HK$218.3 million (2016: HK$244.4 million) during the year ended 31 March 2017. At the end of the reporting period, headcount of the Group was reduced to 1,197 (2016: 1,341) and staff cost-to-sales ratio was about 16.7%, comparable to that of last year (2016: 16.2%).

Depreciation charges decreased to approximately HK$40.4 million (2016: HK$44.7 million) for the year under review. Marketing and advertising expenses totalled approximately HK$36.5 million for the year ended 31 March 2017, representing proportionally about 2.8% (2016: 3.3%) of the Group's turnover, a substantial less about 26.1% than that in the previous same period (2016: HK$49.4 million). The Group intended to focus marketing efforts wisely on key brands and products to capture optimum promotional benefits.

The Group's overall operating expenses declined by about 8.6% to approximately HK$762.6 million (2016: HK$834.5 million) during the year ended 31 March 2017.

Other Income and Gains

In addition to the strict cost control, the Group also proactively improved its assets management and streamlined its group structure. During the year under review, the Group disposed an under-utilised property situated in Macau, which previously served as a staff quarter for retail management staff. The disposal of the property contributed to the Group's gain on disposal of about HK$5.5 million.

Gain on Deregistration of Subsidiaries

Upon closure of an uncompetitive factory in Shantou, China owned by a Group's Mainland subsidiary and officially completed the deregistration of the Mainland subsidiary as well as a dormant subsidiary incorporated in the United Kingdom during the year under review, a gain on deregistration of subsidiaries of about HK$8.1 million was recognised for the year ended 31 March 2017.

Finance Cost

The Group incurred finance cost of about HK$0.2 million (2016: HK$0.8 million), representing interest expense paid for a mortgage loan, during the year under review.

Net Profit

The Group's net profit attributable to equity holders increased by about 22.7% to approximately HK$64.9 million for the year ended 31 March 2017 (2016: HK$52.9 million). Net profit margin improved to about 5.0% (2016: 3.5%).

SEASONALITY

Seasonality has heavy bearing on the sales and results of the Group as its track record shows. The first-half of each financial year has historically been less important than the second-half. In general, more than 50% of the Group's annual sales and most of its net profit are derived in the second-half of the financial year, within which the holiday seasons Christmas, New Year and the Lunar New Year fall.

CAPITAL STRUCTURE

As at 31 March 2017, the Group had net assets of approximately HK$810.6 million (2016: HK$769.5 million), comprising non-current assets of approximately HK$312.1 million (2016: HK$307.5 million), net current assets of approximately HK$503.6 million (2016: HK$467.3 million) and non-current liability of approximately HK$5.1 million (2016: HK$5.3 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2017, the Group had cash and bank balances of about HK$290.4 million (2016: HK$219.2 million). At the end of the reporting period, the Group had aggregate banking facilities of about HK$150.7 million (2016: HK$157.7 million) comprising an interest-bearing bank overdraft, revolving loans, rental and utility guarantees as well as import facilities, of which about HK$137.9 million had not been utilised (2016: HK$131.4 million). In particular, the Group had a bank borrowing of about HK$5.9 million as at 31 March 2017 (2016: HK$12.9 million), which was in Hong Kong dollars repayable within one year and bearing interest at variable rates from about 2% to 3% per annum (2016: 2% to 3% per annum). The Group's gearing ratio at the end of the reporting period, representing a percentage of total interest-bearing bank borrowing to total assets, was about 0.6% (2016: 1.4%).

CASH FLOWS

For the year ended 31 March 2017, net cash inflow from operating activities increased remarkably to approximately HK$142.7 million (2016: HK$72.9 million), which was due to better management on payment and receipt cycles. The Group's net cash flow used in investing activities was reduced significantly to about HK$33.8 million (2016: HK$51.9 million) during the year under review. The drop was mainly contributed by the reduction in capital expenditure on shop renovation. In addition, the Group disposed a property situated in Macau during the year under review and generated additional cash proceed of about HK$8.4 million (2016: Nil). Net cash flow used in financing activities declined substantially by about 48.3% to approximately HK$29.0 million (2016: HK$56.1 million) as a result of the decrease in dividend paid during the year under review.

SECURITY

As at 31 March 2017, the Group's general banking facilities and bank borrowing were secured by certain of its leasehold land and buildings with aggregate carrying value of approximately HK$114.7 million (2016: HK$117.3 million).

CAPITAL COMMITMENT

The Group had no material capital commitment contracted, but not provided for as at 31 March 2017 (2016: HK$1.8 million).

CONTINGENT LIABILITIES

As at 31 March 2017, 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 (2016: HK$6.8 million).

During the year, the Group early terminated certain leases for properties. Pursuant to the respective lease agreements, the Group may be required to compensate for losses or damages to the respective landlords subject to various conditions. At the reporting date, it is not practicable to estimate the related losses or damages as the outcome which could determine the compensation is not wholly within the control of the Group. In the opinion of the directors, the likelihood of an outflow of resources embodying economic benefits by the Group is uncertain.

HUMAN RESOURCES

Including the Directors, the Group had 1,197 (2016: 1,341) employees as at 31 March 2017. To attract and retain high quality staff, the Group provided competitive remuneration packages with performance bonuses, mandatory provident fund, insurance and medical coverage as well as entitlements to share options to be granted under a share option scheme based on employees' performance, experience and the prevailing market rate. Remuneration packages were reviewed regularly. Regarding staff development, the Group provided regular in-house training to retail staff and subsidised their external training programmes for their professional development.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's sales and purchases during the year have been mostly denominated in Hong Kong dollars, New Taiwan dollars, Renminbi and pounds sterling. The Group has been 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

Looking ahead, signs of stability are beginning to emerge in the retail sector, though certain challenges are expected to persist, especially high rentals in Hong Kong, which is a seemingly inseparable part of operating in the region.

Despite the challenges that are anticipated, as well as those that are not, the Group has a strong track record of overcoming difficulties through effective management. Over the past year, this has included implementing cost control measures and fine-tuning promotional strategies that have enabled the Group to raise the overall gross profit margin and improve net profit to a more reasonable level. Furthermore, the Group's efforts in optimising its retail network have led to the closure of under-performing stores while certain stores have been consolidated with their counterparts in nearby locations. The management will continue to closely monitor the Group's retail network and take appropriate action to optimise its overall performance when necessary.

With regards to its presence in Mainland China, the Group will continue to prudently explore opportunities for increasing its exposure in the country. The Group will expand its retail network while concurrently develop an O2O business model. Consistent with the latter, the Group will be developing its e-commerce business, which also involves bolstering ties with renowned e-commerce platforms in Mainland China, such as Tmall, in order to further develop new distribution channels. Besides generating revenue, the management views e-commerce as both a powerful marketing tool for raising the Group's brand equity and for advancing its social media marketing efforts.

The Group is no less committed to developing its presence in Macau. With a healthy local retail market, and having achieved encouraging results from stores opened in the enclave during the past year, the management will seek to further strengthen the Group's foothold. Towards this objective, it will be carefully examining opportunities that facilitate business expansion in the coming year.

While cautiously optimistic about the overall direction of the Group, as well as the industry in general, the management will continue to exercise extreme care as it sets sights on the coming year. Significant effort will continue to be placed on controlling operating costs so as to protect the Group's profitability. Furthermore, it will be vigilant and alert to retail market developments so that prompt action can be taken in response. The Group is evaluating the current use of all its self-owned properties. When necessary, the Group may consolidate its back offices and warehouses and realise certain redundant properties to enhance the return on its assets. The management trusts that with the Group's unique market position and well-diversified portfolio, sustained and favorable business performance can be achieved even in the face of adversity.

DIVIDEND

The Directors recommended the payment of a final dividend of **HK7.5 cents** (2016: HK6.0 cents) per ordinary share for the year ended 31 March 2017. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company (the "**AGM**"), the proposed final dividend will be payable on or before **Wednesday, 27 September 2017** to shareholders whose names appear on the register of members on **Wednesday, 13 September 2017**.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM is scheduled on **Tuesday, 29 August 2017**. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from **Friday, 25 August 2017** to **Tuesday, 29 August 2017**, 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 **Thursday, 24 August 2017**.

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 scheduled on **Wednesday, 13 September 2017**. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from **Monday, 11 September 2017** to **Wednesday, 13 September 2017**, 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 **Friday, 8 September 2017**.

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 2017 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 2017.

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 2017.

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 auditor 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 2017.

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 March 2017 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.

CHANGES IN DIRECTORSHIP AND OTHER CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in directorship and other changes in the information of the Directors since the publication of the interim report of the Company for the six months ended 30 September 2016 up to the date of this announcement are set out below:

Name of Director	Details of changes
Dr. Wong Yun Kuen ("**Dr. Wong**")	➢ Resigned as independent non-executive Director with effect from 27 December 2016; ➢ Following the resignation, Dr. Wong ceased to be the Chairman of the nomination committee, a member of the remuneration committee and audit committee of the Company.
Mr. Mak Siu Yan ("**Mr. Mak**")	➢ Appointed as the Chairman of the nomination committee of the Company with effect from 27 December 2016; ➢ Mr. Mak was previously serving Thales Transport & Security (Hong Kong) Limited as Hardware Manufacturing Engineer. He has now been assigned as an Industrial Engineer with effect from 24 April 2017 and is still serving in the same Thales group.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement for the year ended 31 March 2017 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 2017 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, 22 June 2017

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 Mr. Chu To Ki, Mr. Mak Wing Kit and Mr. Mak Siu Yan.