

A close-up, high-angle photograph of blue denim fabric. The image shows the intricate texture of the twill weave and the prominent yellow stitching along the seams. The lighting is dramatic, highlighting the ridges and valleys of the fabric, creating a sense of depth and texture. The background is dark, making the denim stand out.

bauhaus

interim report 2017

BAUHAUS INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code:483)

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Key Financial Ratios	Notes	Period		Change +/-	
		4-9/2017	4-9/2016		
Performance					
Gross Margin	(%)	1	62.1	56.5	+5.6% pts.
Net Profit Margin	(%)	2	-10.2	-12.0	+1.8% pts.
Return on Average Equity (Annualised)	(%)	3	-12.4	-16.5	+4.1% pts.
Return on Average Assets (Annualised)	(%)	4	-10.2	-13.8	+3.6% pts.
Operating					
Inventory Turnover Days (Annualised)		5	347	238	+109 days
Debtors' Turnover Days (Annualised)		6	13	17	-4 days
Creditors' Turnover Days (Annualised)		7	46	26	+20 days
Liquidity and Gearing					
Current Ratio		8	3.1	3.7	-16.2%
Quick Ratio		9	1.0	1.6	-37.5%
Gearing Ratio	(%)	10	0.3	1.1	-0.8% pts.
Per Share Data					
Book Value Per Share	(HK cents)	11	201.0	185.8	+8.2%
Basic Loss Per Share	(HK cents)	12	13.1	16.3	-19.6%
Diluted Loss Per Share	(HK cents)	13	13.1	16.3	-19.6%

Notes:

- 1 "Gross Margin" is based on gross profit divided by turnover for the period.
- 2 "Net Profit Margin" is calculated as the loss for the period attributable to equity holders of the parent divided by turnover for the period.
- 3 "Return on Average Equity" represents the annualised loss 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 loss 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 367,380,000 (2016: 367,380,000).
- 12 "Basic Loss Per Share" is calculated as the loss 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 367,380,000 (2016: 367,380,000).
- 13 "Diluted Loss Per Share" is calculated as the loss 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 367,380,000 (2016: 367,380,000) in aggregate.

Name of the Company

Bauhaus International (Holdings) Limited
包浩斯國際(控股)有限公司

Directors of the Company (The “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
Mr. Mak Siu Yan

Authorised Representatives

Mr. Wong Yui Lam
Madam Lee Yuk Ming

Company Secretary

Mr. Li Kin Cheong

Qualified Accountant

Mr. Li Kin Cheong

Audit Committee

Mr. Mak Wing Kit *(Chairman)*
Mr. Chu To Ki
Mr. Mak Siu Yan

Remuneration Committee

Mr. Mak Wing Kit *(Chairman)*
Mr. Chu To Ki
Mr. Mak Siu Yan

Nomination Committee

Mr. Mak Siu Yan *(Chairman)*
Mr. Chu To Ki
Mr. Mak Wing Kit

Principal Auditor

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

Principal Bankers

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

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen’s Road, Central
Hong Kong

Registered Office

P.O. Box 10008,
Willow House,
Cricket Square,
Grand Cayman KY1-1001,
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

Tricor Services (Cayman Islands) Limited
P.O. Box 10008,
Willow House,
Cricket Square,
Grand Cayman KY1-1001,
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 2401-2, 24/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 2017	As at 31 March 2017
	No. of shares	No. of shares
Shares		
Authorised shares	2,000,000,000	2,000,000,000
Issued shares	367,380,000	367,380,000

Key dates

2016/17 annual results announcement	:	22 June 2017
Closure of Register of Members for 2016/17 annual general meeting	:	25 August 2017 to 29 August 2017 <i>(both days inclusive)</i>
2016/17 annual general meeting	:	29 August 2017
Closure of Register of Members for 2016/17 proposed final dividend	:	11 September 2017 to 13 September 2017 <i>(both days inclusive)</i>
Payment of 2016/17 final dividend	:	27 September 2017
2017/18 interim results announcement	:	28 November 2017
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 2017

		Six months ended 30 September 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
REVENUE	4	475,351	501,385
Cost of sales		(180,186)	(218,225)
GROSS PROFIT		295,165	283,160
Other income and gains	4	1,302	3,777
Selling and distribution expenses		(284,374)	(285,300)
Administrative expenses		(55,825)	(52,700)
Other expenses	6	(4,822)	(5,182)
Finance cost	5	(54)	(128)
LOSS BEFORE TAX	6	(48,608)	(56,373)
Income tax credit/(charge)	7	323	(3,649)
LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		(48,285)	(60,022)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Currency translation differences		3,776	(4,698)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		(44,509)	(64,720)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	8		
Basic		HK13.1 cents	HK16.3 cents
Diluted		HK13.1 cents	HK16.3 cents

07 Condensed Consolidated Statement of Financial Position

As at 30 September 2017

	Notes	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		192,797	188,713
Investment property		18,000	17,700
Intangible assets		618	693
Rental, utility and other non-current deposits		82,326	79,891
Deferred tax assets		28,590	25,099
Total non-current assets		322,331	312,096
CURRENT ASSETS			
Inventories		417,433	266,759
Trade receivables	10	27,783	41,488
Prepayments, deposits and other receivables		40,148	28,050
Tax recoverable		524	6,314
Cash and bank balances		138,822	290,436
Total current assets		624,710	633,047
CURRENT LIABILITIES			
Trade payables	11	96,296	31,807
Other payables and accruals		98,798	86,460
Interest-bearing bank borrowing	12	2,383	5,922
Tax payable		6,612	5,259
Total current liabilities		204,089	129,448
NET CURRENT ASSETS		420,621	503,599
TOTAL ASSETS LESS CURRENT LIABILITIES		742,952	815,695
NON-CURRENT LIABILITIES			
Deferred tax liabilities		4,418	5,098
NET ASSETS		738,534	810,597
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	13	36,738	36,738
Reserves		701,796	773,859
TOTAL EQUITY		738,534	810,597

08 Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2017

	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000	Asset revaluation reserve [#] HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
At 1 April 2016 (audited)	36,738	105,566	744	9,099	22,718	10,128	-	584,458	769,451
Total comprehensive loss for the period	-	-	-	-	(4,698)	-	-	(60,022)	(64,720)
Final 2016 dividend declared and paid	-	-	-	-	-	-	-	(22,043)	(22,043)
At 30 September 2016 (unaudited)	36,738	105,566	744	9,099	18,020	10,128	-	502,393	682,688
At 1 April 2017 (audited)	36,738	105,566*	744*	-*	6,397*	7,181*	14,633*	639,338*	810,597
Total comprehensive income/(loss) for the period	-	-	-	-	3,776	-	-	(48,285)	(44,509)
Final 2017 dividend declared and paid	-	-	-	-	-	-	-	(27,554)	(27,554)
At 30 September 2017 (unaudited)	36,738	105,566*	744*	-*	10,173*	7,181*	14,633*	563,499*	738,534

* These reserve accounts comprise the consolidated reserves of HK\$701,796,000 (31 March 2017: HK\$773,859,000) in the condensed consolidated statement of financial position.

The asset revaluation reserve of HK\$14,633,000 (31 March 2017: HK\$14,633,000) relates to an owner-occupied property of the Group transferred to investment property.

09 Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows used in operating activities	(97,400)	(6,329)
Net cash flows used in investing activities	(26,702)	(13,806)
Net cash flows used in financing activities	(31,093)	(27,626)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(155,195)	(47,761)
Cash and cash equivalents at beginning of period	290,436	219,249
Effect of foreign exchange rate changes, net	3,581	(4,855)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	138,822	166,633
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	138,822	166,633

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 2017 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 2017, 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 2017 annual report.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and amendments for the first time in the preparation of these Interim Financial Statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>

Annual Improvements

2014-2016 Cycle:

Amendments to HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
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The adoption of the above revised standards and/or amendments has had no significant financial effect on these Interim Financial Statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective in these Interim Financial Statements. The Group is in the process of making an assessment of the impact of the new and revised standards upon adoption while the Group is not yet in a position to state whether it would have a significant impact on the Group’s results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the design and retailing of trendy apparels, bags and fashion accessories.

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 segment 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 resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance cost, fair value gain on an investment property 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 an investment property, 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 amounted to 10% or more of the Group's revenue during the period under review, no major customer information is presented.

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3. OPERATING SEGMENT INFORMATION (continued)

	Hong Kong and Macau HK\$'000	Taiwan HK\$'000	Mainland China HK\$'000	Elsewhere HK\$'000	Total HK\$'000
For the six months ended					
30 September 2017 (Unaudited)					
Segment revenue:					
Sales to external customers	337,532	80,868	56,873	78	475,351
Intersegment sales	1,692	88,374	–	–	90,066
	339,224	169,242	56,873	78	565,417
<i>Reconciliation:</i>					
Elimination of intersegment sales					(90,066)
Revenue					475,351
Segment results:					
	7,690	(26,307)	(2,679)	(15)	(21,311)
<i>Reconciliation:</i>					
Interest income					134
Finance cost					(54)
Fair value gain on an investment property					300
Unallocated expenses, net					(27,677)
Loss before tax					(48,608)
Other segment information:					
Capital expenditure	9,538	12,383	3,198	–	25,119
Unallocated capital expenditure					2,279
Total capital expenditure					27,398
Depreciation	9,935	5,670	1,609	–	17,214
Unallocated depreciation					2,976
Total depreciation					20,190
As at 30 September 2017 (Unaudited)					
Segment assets:					
<i>Reconciliation:</i>					
Investment property					18,000
Deferred tax assets					28,590
Tax recoverable					524
Unallocated assets					174,822
Total assets					947,041
Segment liabilities:					
<i>Reconciliation:</i>					
Deferred tax liabilities					4,418
Interest-bearing bank borrowing					2,383
Tax payable					6,612
Unallocated liabilities					14,943
Total liabilities					208,507
Segment non-current assets:					
<i>Reconciliation:</i>					
Investment property					18,000
Deferred tax assets					28,590
Unallocated non-current assets					132,010
Total non-current assets					322,331

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3. OPERATING SEGMENT INFORMATION (continued)

	Hong Kong and Macau HK\$'000	Taiwan HK\$'000	Mainland China HK\$'000	Elsewhere HK\$'000	Total HK\$'000
For the six months ended					
30 September 2016 (Unaudited)					
Segment revenue:					
Sales to external customers	348,057	98,342	53,587	1,399	501,385
Intersegment sales	24,550	59,737	–	–	84,287
	372,607	158,079	53,587	1,399	585,672
<i>Reconciliation:</i>					
Elimination of intersegment sales					(84,287)
Revenue					501,385
Segment results:					
	(10,752)	(15,978)	(296)	17	(27,009)
<i>Reconciliation:</i>					
Interest income					179
Finance cost					(128)
Unallocated expenses, net					(29,415)
Loss before tax					(56,373)
Other segment information:					
Capital expenditure	8,434	3,110	469	35	12,048
Unallocated capital expenditure					1,770
Total capital expenditure					13,818
Depreciation	10,782	4,874	1,806	–	17,462
Unallocated depreciation					3,188
Total depreciation					20,650
As at 31 March 2017 (Audited)					
Segment assets:					
	321,114	186,045	125,686	1,784	634,629
<i>Reconciliation:</i>					
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
<i>Reconciliation:</i>					
Deferred tax liabilities					5,098
Interest-bearing bank borrowing					5,922
Tax payable					5,259
Unallocated liabilities					9,497
Total liabilities					134,546
Segment non-current assets:					
	110,066	15,728	9,432	324	135,550
<i>Reconciliation:</i>					
Investment property					17,700
Deferred tax assets					25,099
Unallocated non-current assets					133,747
Total non-current assets					312,096

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4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts and sales tax.

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

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sale of garment products and accessories	475,351	501,385
Other income		
Bank interest income	134	179
Rental income	309	194
Others	559	1,292
	1,002	1,665
Gains		
Foreign exchange differences, net	–	2,112
Fair value gain on an investment property	300	–
	300	2,112
	1,302	3,777

5. FINANCE COST

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on a bank loan	54	128

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6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Six months ended 30 September 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Cost of inventories sold*	163,168	209,767
Provision for inventories, net*	17,018	8,458
Depreciation	20,190	20,650
Minimum lease payments under operating leases	113,230	119,941
Contingent rents under operating leases	20,690	23,297
	133,920	143,238
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and other benefits	95,346	93,362
Pension scheme contributions	5,445	5,241
	100,791	98,603
Other expenses:		
Loss on disposal of items of property, plant and equipment, net	1,498	796
Amortisation of intangible assets	87	113
Loss on disposal of trademarks	2	11
Write-off of deposits	444	64
Provision for doubtful debts and write-off of bad debts	2	317
Impairment of items of property, plant and equipment	1,111	3,881
Foreign exchange differences, net	1,558	–
Others	120	–
	4,822	5,182

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

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7. INCOME TAX

Hong Kong profit tax has been provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2017. The People's Republic of China corporate income tax has been provided at a rate of 25.0% (2016: 25.0%) on the profits for the period under review of the Group's Mainland China subsidiaries. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax charge/(credit)		
– Hong Kong	2,282	1,267
– Mainland China	368	(145)
– Elsewhere	1,157	503
Deferred tax charge/(credit)	(4,130)	2,024
Total tax charge/(credit) for the period	(323)	3,649

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8. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share is based on the loss for the period attributable to equity holders of the parent of HK\$48,285,000 (2016: HK\$60,022,000) and the weighted average number of ordinary shares of 367,380,000 (2016: 367,380,000) in issue during the six months ended 30 September 2017.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2017.

The calculation of the diluted loss per share amount was based on the loss 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 under review, as used in the basic loss 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 loss per share are based on:

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Loss		
Loss attributable to equity holders of the parent, used in the basic loss per share calculation	48,285	60,022
	<hr/>	
	Number of Shares	
<hr/>		
Shares		
Weighted average number of ordinary shares in issue during the six months period under review used in the basic loss per share calculation	367,380,000	367,380,000
	<hr/>	

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9. DIVIDENDS

A final dividend of HK\$27,554,000 for the year ended 31 March 2017 (2016: HK\$22,043,000) was paid in September 2017.

The Directors did not declare the payment of an interim dividend for the six months ended 30 September 2017 (2016: Nil).

10. TRADE RECEIVABLES

Sales (both online and offline) are made on cash terms or with very short credit terms, except for certain well-established customers with a long business relationship with the Group, where the general credit terms are ranging from 30 days to 60 days. 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.

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:

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Within 90 days	27,487	41,210
91 to 180 days	16	276
181 to 365 days	280	2
	27,783	41,488

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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 the invoice date, is as follows:

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Within 90 days	95,301	31,418
91 to 180 days	995	345
181 to 365 days	–	44
	96,296	31,807

12. INTEREST-BEARING BANK BORROWING

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Current – secured		
Bank loan repayable on demand	2,383	5,922
Analysed into bank loan repayable:		
Within one year or on demand	2,383	5,922

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\$113,461,000 (31 March 2017: HK\$114,733,000).
- (b) The loan is in Hong Kong dollars and has maturity in 2018.
- (c) The bank loan was bearing interest at variable rates ranging from 2% to 3% (2016: 2% to 3%) per annum during the period under review.

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13. SHARE CAPITAL**Shares**

	Company	
	As at	As at
	30 September	31 March
	2017	2017
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Issued and fully paid:		
367,380,000 (31 March 2017: 367,380,000)		
ordinary shares of HK\$0.1 each	36,738	36,738

Details of the Company's share option scheme and the share options issued under the scheme are included in Note 14 to the Interim Financial Statements.

14. SHARE OPTION SCHEME

On 27 August 2015, the Company adopted a share option scheme (the "Scheme") to provide the Company with the flexibility of granting share options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. Eligible participants of the Scheme include the Company's directors, including independent non-executive Directors, other employees of the Group, any advisers, consultants, suppliers and customers of the Group and such other persons who, in the sole opinion of the board of directors of the Company, will contribute or have contributed to the Group. The Scheme will remain in force for 10 years from the effective date of 28 August 2015.

No share option was granted under the Scheme since its adoption and during the six months ended 30 September 2017.

15. COMMITMENTS

The Group had no material capital commitments contracted, but not provided for as at 30 September 2017 (31 March 2017: Nil).

30 September 2017

16. OPERATING LEASE ARRANGEMENTS**As lessor**

The Group, as lessor, leases certain of its office under operating lease arrangement with a lease term ranging of two years. At the end of the reporting period, the Group had total future minimum lease payments receivable under non-cancellable operating leases falling due as follows:

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Within one year	52	618
In the second year	–	103
	52	721

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 eight 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:

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Within one year	192,198	194,746
In the second to fifth year, inclusive	197,847	227,962
Over five years	–	983
	390,045	423,691

The operating lease rentals of certain retail shops are based on the higher of a fixed rental and contingent rent based on the sales of the retail shops pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these retail shops could not be estimated reliably, the relevant contingent rent has not been included above and only the minimum lease commitment has been included in the above table.

30 September 2017

17. CONTINGENT LIABILITIES

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

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Bank guarantees given in lieu of utility and property rental deposits	4,058	5,182

In addition, the Group early terminated certain leases for properties in the previous year. Pursuant to the respective lease agreements, the Group might 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.

18. RELATED PARTY TRANSACTIONS

- (a) During the period under review, the Group had the following transactions with related companies controlled by a close family member of a director of the Group:

	Six months ended 30 September 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Computer system maintenance charges	40	45

(b) Compensation of key management personnel of the Group

Short-term employee benefits	2,102	2,136
Post-employment benefits	38	40
Total compensation paid to key management personnel	2,140	2,176

19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the board of directors of the Company on 28 November 2017.

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 30 September 2017, the Group had a total of 195 self-managed offline shops in operation (31 March 2017: 196).

	As at 30 September 2017	As at 31 March 2017	Change
Hong Kong & Macau	74	80	-6
Taiwan	95	91	+4
Mainland China	26	25	+1
TOTAL	195	196	-1

The first-half of financial year 2017/18 was still challenging for the Group, while some of the region's retail sectors had been gradually stabilised. Different from last year's declining trend in most of the operating segments, some of them have delivered better performance in terms of the same store sales growth and segment results. Though the market sentiment mildly improved, there has not yet been sufficient signals to indicate persistent market rebound. The retail markets in which the Group operates are expected to continue to be volatile for a while.

Turnover of the Group dropped slightly by about 5.2% to approximately HK\$475.4 million (2016: HK\$501.4 million) and the Group recorded an overall same store sales growth of about -5% (2016: -14%) for the first-half of the financial year. Although the Group encountered difficulties in boosting sales under sluggish retail sentiment in certain markets, particularly in Taiwan, it merely offered adequate, but not excessive promotional discounts to the market aiming to improve its gross margin level as well as uphold brand equity for its in-house brands. As a result of the previous year's retail portfolio restructuring and decisively closure of loss-making and under-performing stores, the Group gradually rebuilt a more competitive cost structure, which allowed a greater flexibility in dealing with market challenges. The Group's net loss was reduced to about HK\$48.3 million for the six months ended 30 September 2017 (2016: HK\$60.0 million).

Hong Kong and Macau

The retail operations in Hong Kong and Macau make up the largest geographical operating segment of the Group. For the period under review, the segment accounted for about 71.0% (2016: 69.4%) of the Group's turnover. The turnover of the segment dropped slightly by about 3.0% to about HK\$337.5 million for the six months ended 30 September 2017 (2016: HK\$348.1 million), which was mostly attributable to the reduction of the total number of retail shops in Hong Kong. The same store sales of the Hong Kong and Macau segment were kept relatively stable, slightly dropping by about 1%. Encouragingly, the segment resumed profit of about HK\$7.7 million for the period under review (2016: segment loss of HK\$10.8 million).

The continued weak retail climate in Hong Kong inevitably depressed the performance of the Group's retail operations. Cautious local spending possibly was not only attributed to uncertain economic prospects. Growing lifestyle seeking experience, lower travel costs and favorable foreign currency exchange rates encouraged outbound travelling and spending abroad, which might contribute to a slower and longer recovery cycle of the local retail market. Price competition and extensive discount offerings might no longer be so effective to galvanise sales in particular fashion segment, but definitely would trim the margins of retailers. The Group fine-tuned its selling strategies and avoided offering extensive price-cuts on its merchandise during the period under review. In addition, appropriate control on operating costs was equally important. Though the retail sentiment was not expected to be very vivid, the operating costs, in particular store rentals in prime shopping arcades, remained high in the region and have not yet elastically come down. In view of the prolonged weak retail climate, the Group had further streamlined 10 under-performing offline shops in Hong Kong during the six months ended 30 September 2017. Although the local retail network was reduced, the Group successfully improved its gross margin as well as its profitability as a whole in its home region.

The business performance in Macau was promising. Upon the gradual recovery of the gaming sector in Macau, retail consumption obviously increased during the period under review. Although the typhoon damage in Macau during August and September 2017 brought about terrible disruption to the city, the adverse impact on the retail consumption was short-term and has gradually picked up. The Group has planned to further expand its retail coverage in reputable shopping malls and some new stores would be launched in 2018.

Taiwan

While the first-half of each financial year is the annual low season, the retail performance in Taiwan was even weaker than expected. During the six months ended 30 September 2017, the Taiwan segment's sales plummeted by about 17.7% to approximately HK\$80.9 million (2016: HK\$98.3 million), which was mainly attributable to a substantial negative growth in same store sales of about 24%. The Group also incurred a larger segment loss of about HK\$26.3 million (2016: HK\$16.0 million) as compared to the same period last year.

Due to the prolonged weak sales performance in the region, the Group's inventory level in Taiwan reached an unhealthy high. The Group closely monitored the sales performance of its merchandise. In order to reduce slow-moving items, in addition to the usual promotional activities within the regular store network, the Group established more short-term sales outlets across the island. At the end of the reporting period, there was a total of 95 stores/counters (31 March 2017: 91) in Taiwan, present mainly in reputable department stores in nine cities.

Mainland China

As at 30 September 2017, the Group operated its self-managed retail shops in Beijing, Shanghai, and Guangzhou and maintained a streamlined franchise network focusing on the second-tier cities in Mainland China. Turnover from the Mainland China segment increased by about 6.2% to about HK\$56.9 million (2016: HK\$53.6 million) and encouragingly, the Group recorded a strong same store sales growth of about 13% in its traditional offline retail network during the six months ended 30 September 2017. However, mainly resulting from closure of certain under-performing shops and pre-opening expenses for new stores, the segment recorded a loss of about HK\$2.7 million (2016: HK\$0.3 million) for the six months ended 30 September 2017.

The Group continued to revamp its retail portfolio in Mainland China to provide a leaner and more flexible operational structure and to facilitate O2O operations. At the end of the reporting period, the Group had 26 self-managed offline stores (31 March 2017: 25) in the region. In addition to the offline retail network, the Group has proactively developed distribution channels through certain reputable e-commerce platforms, including Tmall. The online sales continued to grow rapidly in Mainland China during the period under review. With online business presence, the Group has been gradually establishing seamless retail coverage and improving its brand awareness nationwide at a relatively lower cost.

FINANCIAL REVIEW

Turnover

The turnover of the Group decreased by around 5.2% to approximately HK\$475.4 million (2016: HK\$501.4 million) for the six months ended 30 September 2017. The Group recorded an overall same store growth rate of about -5% (2016: -14%) for the period under review. Hong Kong and Macau remains the key operating segment of the Group's retail business, accounting for approximately 71.0% (2016: 69.4%) of the Group's turnover, with relatively stable performance with a negative growth in same store sales of about 1%.

However, the Group's sales performance in Taiwan during the period under review was disappointing. The sales of the Taiwan segment dropped significantly by about 17.7% to about HK\$80.9 million (2016: HK\$98.3 million).

Operating Segment Information

Detailed information of the Group's turnover and its contribution to profit or loss before tax by segment is shown in Note 3 to the Interim Financial Statements.

Gross Profit

The Group's gross profit increased by about 4.2% to approximately HK\$295.2 million (2016: HK\$283.2 million) for the six months ended 30 September 2017. The gross margin significantly improved to around 62.1% (2016: 56.5%) as compared with the same period last year. Although the Group encountered difficulties in boosting sales under sluggish retail sentiment in certain markets, particularly in Taiwan, the Group merely offered adequate, but not excessive promotional discounts to the market aiming to improve its gross margin level as well as uphold brand equity for its in-house brands.

Operating Expenses and Cost Control

The Group maintained great effort on managing expenses during the six months ended 30 September 2017. To control rental costs, a major component of its operating expenses, the Group closed some under-performing stores while at the same time, was cautious in identifying new locations for store openings. The Group aims for sustainable profitability and hence, was striking a balance between prospective sales opportunities and cost efficiency in store selection. Rental expenses decreased by about 6.5% to about HK\$133.9 million (2016: HK\$143.2 million), which accounted for about 38.8% (2016: 41.7%) of the Group's total operating expenses for the period review. To mitigate market rental increment as well as attain a flexible cost 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 cost-effectiveness, manage advertising spending and capital expenditure carefully, etc. Staff cost increased slightly by about 2.2% to approximately HK\$100.8 million (2016: HK\$98.6 million) during the period under review.

Depreciation charges decreased to approximately HK\$20.2 million (2016: HK\$20.7 million) for the period under review. Marketing and advertising expenses totalled approximately HK\$16.8 million (2016: HK\$13.0 million), representing proportionally about 3.5% (2016: 2.6%) of the Group's turnover. The Group intends to wisely devote marketing efforts to key brands and products to capture optimum promotional benefits.

The Group's overall operating expenses were approximately HK\$345.0 million (2016: HK\$343.2 million) during the period under review.

Finance Cost

The Group incurred finance cost of approximately HK\$54,000 (2016: HK\$128,000) for the period under review, which represented the interest expense paid for a mortgage loan.

Net Loss

The Group incurred a net loss for the six months ended 30 September 2017 of approximately HK\$48.3 million (2016: HK\$60.0 million). The decrease in the net loss was primarily resulted from the closure of loss-making and under-performing shops and gradually stabilised retail environment in some markets where the Group operates, particularly in Hong Kong and Macau.

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, which includes the holiday seasons Christmas, New Year and the Lunar New Year.

CAPITAL STRUCTURE

As at 30 September 2017, the Group had net assets of approximately HK\$738.5 million (31 March 2017: HK\$810.6 million), comprising non-current assets of approximately HK\$322.3 million (31 March 2017: HK\$312.1 million), net current assets of approximately HK\$420.6 million (31 March 2017: HK\$503.6 million) and non-current liabilities of approximately HK\$4.4 million (31 March 2017: HK\$5.1 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2017, the Group had cash and bank balances of approximately HK\$138.8 million (31 March 2017: HK\$290.4 million). At the end of the reporting period, the Group had aggregate banking facilities of approximately HK\$147.2 million (31 March 2017: HK\$150.7 million) comprising an interest-bearing bank overdraft, revolving loans, rental and utility guarantees as well as import facilities, of which approximately HK\$131.4 million had not been utilised. In particular, the Group had a bank borrowing of approximately HK\$2.4 million as at 30 September 2017 (31 March 2017: HK\$5.9 million), which was in Hong Kong dollars repayable within one (31 March 2017: one) year and bearing interest at variable rates ranging from about 2% to 3% (31 March 2017: from 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 0.3% (31 March 2017: 0.6%).

CASH FLOWS

For the six months ended 30 September 2017, net cash flows used in operating activities increased substantially to approximately HK\$97.4 million (2016: HK\$6.3 million), which was mainly attributable to a significant increase in inventories. Net cash flows used in investing activities also increased by about 93.5% to approximately HK\$26.7 million (2016: HK\$13.8 million). The rise was mainly due to an increase in capital expenditure for store renovation and new shop openings. Net cash flows used in financing activities of approximately HK\$31.1 million (2016: HK\$27.6 million) were mainly for the payment of 2017 final dividends and repayment of a mortgage loan.

SECURITY

As at 30 September 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\$113.5 million (31 March 2017: HK\$114.7 million).

CAPITAL COMMITMENTS

The Group had no material capital commitments contracted, but not provided for as at 30 September 2017 (31 March 2017: Nil).

CONTINGENT LIABILITIES

As at 30 September 2017, the Group had contingent liabilities in respect of bank guarantees given in lieu of utility and property rental deposits amounting to approximately HK\$4.1 million (31 March 2017: HK\$5.2 million).

In the previous year, the Group early terminated certain leases for properties. Pursuant to the respective lease agreements, the Group might 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 1,222 (31 March 2017: 1,197) employees as at 30 September 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 period were 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.

DIVIDENDS

The Directors did not declare the payment of an interim dividend for the six months ended 30 September 2017 (2016: Nil).

PROSPECTS

The business environment is expected to remain challenging for all players in the Hong Kong retail sector in the near future. While the industry is no longer in a state of decline, there has been no apparent sign of a significant recovery in the offing. What is more, high operating costs are likely to persist, particularly with regard to rent.

Given the aforementioned challenges, the management will continue to put cost control high on its list of priorities. To combat rental costs, the Group will strategically relocate stores and consolidate certain retail locations – a strategy that has proven effective in the past.

The Group remains committed to developing its Mainland China business, and will employ various strategies to bolster its brick-and-mortar and online presence in the country as part of its O2O business model. Correspondingly, the Group aims to expand its store network in key areas of Mainland China in the near future. As for its online presence, the management will continue to enhance the e-commerce business to facilitate and encourage O2O operations. Besides generating additional revenue, the online platform would serve a myriad of functions, including supporting marketing efforts, promoting the Group's brand image, complementing social media marketing efforts and encouraging retail network sales.

While the Mainland China market will be an important focal point of the Group, the management is equally enthusiastic about tapping the Macau market, a location where it has been performing favorably, mirroring the healthy state of the local retail sector. With recent store openings by the Group delivering encouraging results, the management will seek to sustain sales momentum by expanding the local retail network progressively.

As previously mentioned, the Hong Kong retail sector, while moving out of the recent trough, has yet to achieve full-scale recovery. With operating and rental costs expected to remain high, caution and pragmatism will continue to underpin all of the Group's business efforts. While exercising caution, the management remains optimistic that the Group will nonetheless achieve progress, whether in terms of business expansion in selected markets, or controlling overhead and other costs, the former facilitated by its unique market position and well-diversified brand portfolio. The management believes that the Group possesses the flexibility and responsiveness to effectively adapt to challenging business conditions, which will stand it in good stead once a widespread market recovery is in full swing.

DIRECTORS' INTERESTS IN SECURITIES

At 30 September 2017, 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				Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Through a discretionary trust/as beneficiary or trustee of trust	Total number of ordinary shares held	
Mr. Wong Yui Lam	1,700,000	29,900,000 <i>(note)</i>	180,000,000 <i>(note)</i>	211,600,000	57.60%
Madam Lee Yuk Ming	250,000	–	–	250,000	0.07%
Mr. Yeung Yat Hang	4,730,000	–	–	4,730,000	1.29%

Note:

The 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. The 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 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 2017, 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 2017 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

On 27 August 2015, the Company adopted a share option scheme (the “Scheme”) to provide the Company with the flexibility of granting share options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. Eligible participants of the Scheme include the Company’s directors, including independent non-executive Directors, other employees of the Group, any advisers, consultants, suppliers and customers of the Group and such other persons who, in the sole opinion of the board of directors of the Company, will contribute or have contributed to the Group. The Scheme will remain in force for 10 years from the effective date of 28 August 2015.

No share option was granted under the Scheme since its adoption and during the six months ended 30 September 2017.

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

At 30 September 2017, 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	49.00%
East Asia International Trustees Limited (“EAIT”) (note 2)	Long position	–	–	180,000,000	180,000,000	49.00%
Wonder View (note 3)	Long position	29,900,000	–	–	29,900,000	8.14%
Great Elite Corporation (“Great Elite”) (note 4)	Long position	34,068,000	–	–	34,068,000	9.27%
David Michael Webb (note 5)	Long position	9,046,000	20,354,000	–	29,400,000	8.00%

Notes:

1. The 180,000,000 shares are held by Huge Treasure as trustee of The Wong & Tong Unit Trust, all units of which are owned by The Wong & Tong Family Trust, a discretionary trust established by Mr. Wong Yui Lam, an executive director of the Company and Madam Tong She Man, Winnie, a beneficial shareholder of the Company.
2. EAIT is a licensed trustee in the British Virgin Islands and acts as trustee of The Wong & Tong Family Trust. By virtue of its capacity as trustee of The Wong & Tong Family Trust, EAIT is deemed to be interested in the shares held by Huge Treasure (as trustee of The Wong & Tong Unit Trust) under the SFO.
3. Wonder View is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. Wong Yui Lam.
4. Great Elite is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Madam Tong She Man, Winnie.
5. The 20,354,000 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 2017, 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 Listing Rules throughout the six months ended 30 September 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 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.

CHANGES IN DIRECTORSHIP AND OTHER CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, there was no change in directorship and other changes in the information of the Directors since the publication of the annual report of the Company for the year ended 31 March 2017 up to the date of this report.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Based on specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 September 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 six months ended 30 September 2017.

REVIEW OF FINANCIAL INFORMATION

An audit committee of the Company (the "**Audit Committee**") was established on 22 April 2005 with written terms of reference. As at 30 September 2017 and the date of this report, it comprised three independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group, including the review of the Interim Financial Statements for the six months ended 30 September 2017, and discussed risk management, internal control and financial reporting matters.

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 number of issued shares 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, 28 November 2017