bauhaus

annual report 2018

BAUHAUS INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code:483)

Salad

www.bauhaus.com.hk

a member of bauhaus

Contents

On behalf of the board of directors (the "**Board**"), I am pleased to present the annual results of Bauhaus International (Holdings) Limited (the "**Company**") and its subsidiaries (collectively the "**Group**" or "**Bauhaus**") for the year ended 31 March 2018.

In the past year, with the global economy and the economic conditions and consumer sentiment in Mainland China and Hong Kong stabilising, we saw improvement in the retail markets where we operate. In Hong Kong, retail sales stopped its declining trend since 2014 and returned on the moderate growth trend, reporting a 2.2% growth year-on-year in 2017. Against this backdrop, Bauhaus maintained stable revenue for the year. With a strong balance sheet, nil gearing and effective cost control measures, we are prepared for future challenges and have ample resources for investment going forward.

In the past few years, we had been actively consolidating our retail network in Hong Kong, including closing down under-performing stores. Such efforts had been successful and we believe most of the stores with unsatisfactory performance were closed. It is thus time for us to start a comprehensive review of our retail network in Hong Kong and explore options to again expand our store coverage for capturing opportunities in the recovering market.

In addition to Hong Kong, Bauhaus also hopes to expand business in the Mainland China and Macau markets. Seeing strong growth potential in the Mainland China market with per capita income and living standards rising, especially in 2nd and 3rd tier cities, we have penetrated cities in the peripheral areas of our major stronghold market, like Shenzhen, Guangzhou, Shanghai and Beijing, with some of which being included in the Greater Bay Area Initiative proposed by the Chinese government. Going forward, we will continue this expansion strategy in Mainland China and build presence in more cities where the retail market has great development potential. In Macau, our stores in the large-scale resorts opened in recent years have recorded satisfactory performance, telling us to continue to pursue such opportunities in new resorts or their likes to open at prime locations in the near future.

In Taiwan, as the retail climate remains weak, we are comprehensively reviewing our business in the region and looking to consolidate our retail network there, aiming to achieve a more streamlined operation with higher efficiency.

As for our e-commerce business, it has served us well. Apart from generating increasing sales revenue, it has also been an efficient marketing tool for us to strengthen brand equity and reputation. Going forward, we plan to formulate an O2O strategy that can enable us to better and more effectively tap the power of this platform to support business expansion.

To conclude, with retail markets showing clear signs of recovery, we believe the worst time is over. Thus, we are cautiously optimistic about our business performance in the near future and shall explore opportunities to resume expanding our store network, which is stronger today after going through consolidation in the past couple of years. We are however well aware of the challenges ahead, in particular from the anticipated increase in operating costs, including rental costs in Hong Kong. With a strong business foundation to build on, we will work hard to strengthen our capabilities, and also our product portfolio and brand identity, with the goal of achieving sustainable growth and delivering favourable returns to shareholders.

APPRECIATION

On behalf of the Board, I would like to thank our shareholders, business partners and customers for their unwavering support. My gratitude also goes to the entire management team and Bauhaus workforce for their dedication and contributions to the Group.

Wong Yui Lam
Chairman
Hong Kong, 29 June 2018


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ESG REPORT

As a regional fashion company with 182 stores and counters in Hong Kong, Macau, Taiwan and Mainland China, Bauhaus Group is obliged to raise its efforts to protect the environment, carry out corporate social responsibility and maintain a culture of sound governance.

As a fashion retailer, we are committed to providing the best quality and safest products for our customers with the production of the least undesirable effects on our environment. As a conscientious employer, we are responsible for providing favourable working conditions for employees to keep their work-life balance at an optimal level. As a responsible corporation we are obliged to foster a clean and fair environment for businesses and engage in community services.

To enable all stakeholders to have an overview of our policies and performances in the environmental, social and governance ("**ESG**") aspects, the Bauhaus Group hereby presents this ESG report for the year ended 31 March 2018 prepared under the ESG Guide set out in Appendix 27 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). In particular, the in-depth discussion and disclosures on the Group's corporate governance policies and practices are set out under section headed "Corporate Governance Report" on pages 25 to 34 of this Annual Report.

MATERIALITY ASSESSMENT

Since the Hong Kong region accounts for about 54% of the Group's turnovers and the head office is located here, this ESG report would primarily focus on the Group's business and operations in Hong Kong. Disclosures relating to the identified ESG aspects which are considered as material are included in this ESG report.

STAKEHOLDER ENGAGEMENT

The Group formed a work team comprising all the departments to discuss environmental, social and company issues of importance to investors and stakeholders that should be disclosed in the ESG report. A survey was conducted among stakeholders including the Group's vendors and suppliers, customers, employees, and independent non-executive directors to gather their views on the prioritisation of ESG issues. The survey results gave insight to the Group on the formulation of ESG policies and feasible remedial measures in the future that would help minimise the potential adversary effects on ESG.

- Environmental aspects: The survey results demonstrate that most stakeholders regard the use of packaging material is of particular concern to the environment. Others which are regarded as moderately important include Greenhouse Gas emissions, hazardous waste produced, and water consumption.

- Employment aspects: Most stakeholders concern work injuries and fatalities. Child and forced labour, and employee development and training are of second priority.

- Social aspects: Product safety, consumer data protection and privacy, and complaint handling are regarded as the highest priority issues to be dealt with.

ENVIRONMENTAL PROTECTION

Gas emissions are among the major causes of global pollution which is detrimental to health and the environment. Apart from full compliance with laws and regulations relating to environmental protection, the Group is striving to minimise the emissions of gases. The air pollutants emitted by the Group were mainly generated from the fleet of vehicles of our contractors employed mainly to deliver products to and from stores and warehouses.

The Group has adopted a series of remedial measures with a view to lowering gas emissions. We closely monitor and keep record of the use of fuel by the fleet. We keep track of the gas emissions which should not exceed what the law allows. The Group constantly reviews and realigns the routes of transportation to maximise the cost effectiveness while keeping the use of fuel and emissions of gases at their lowest. Contractors are reminded to keep regular maintenance of their vehicles, which are part of the terms and conditions for contract renewal.

Emissions from Vehicles

KPI Description (Measured in Kilogram)	2017/18
Nitrogen oxides (NO_x)	263.77
Sulphur oxides (SO_x)	0.28
Particulate Matter (PM)	26.13

Note: Emissions data are computed with reference to:

(i) the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 Edition)" issued by the Electrical and Mechanical Services Department and the Environmental Protection Department in Hong Kong;

(ii) the "Carbon Audit Toolkit for Small and Medium Enterprises in Hong Kong (2010 Edition)" published by The University of Hong Kong.

(iii) NOx, SOx and PM emissions calculated in accordance with the Appendix 2: Reporting Guidance in Environmental KPIs issued by HKEX.

Due to our business nature, the significant air emissions are the Greenhouse Gas ("**GHG**") emissions arising mainly from the use of fuels and electricity. A total of about 1,950.02 tonnes of carbon dioxide were emitted from the Group's operations in the year under review. In terms of intensity per square foot of floor area, it was about 0.01 tonnes of GHG emissions.

Greenhouse Gas Emissions (Total Carbon Dioxide Equivalent in Tonnes)

KPI	Description		2017/18	2016/17 (Note 1)
Scope 1	Direct GHG emissions from vehicles		**71.23**	n/a
Scope 2	Energy indirect emissions from electricity purchased		**1,516.90**	1,936.20
Scope 3	All other indirect emissions:	Paper waste	**28.90**	29.80
		Plastic/plastic-coated bags	**268.63**	235.50
		Business air travel	**64.36**	57.67
	Scopes 1 & 2 & 3 combined		**1,950.02**	n/a
	Intensity of GHG emissions (Tonnes/sq. ft./year) (Note 2)		**0.01**	n/a

Note 1: No diesel consumption data was recorded in 2016/17.

Note 2: Total weighted-average floor area used for computation of GHG emission is about 203,759 sq. ft.

Energy Consumption

With 62 directly managed retail stores in Hong Kong as at 31 March 2018, a saving in electricity consumption will definitely reduce gas emissions. Over the past years, we have been vigorously replacing light bulbs and fluorescent lamps both in stores and offices with energy-saving LED lighting. Because of our efforts in cutting down power consumption, the emissions of CO_2 due to electricity consumption was drastically reduced by about 21.7% over the previous year.

We participated in the "Energy Saving Charter" scheme in some of shopping malls to keep the air conditioning temperature between 24 and 26 degree Celsius at our stores. We procured energy-efficient electrical appliances. We encouraged our staff to adopt the energy saving practices such as always switching off computers and electrical appliances when not in use. We purchased energy-saving office equipment and electric appliances.

We were awarded the 2017 Hong Kong Awards for Environmental Excellence from the Environmental Campaign Committee for our effort in pursuing environmental initiatives and participation.

Slightly more frequent travel was recorded in the year under review due to more fashion buying activities around the world. Our production staff flew to India to explore more resources on fabrics and clothing materials. Except for the most senior executives, all colleagues flew economy class.

The operations of Bauhaus are not water intensive. We recognise that water availability is a growing global concern, and we are committed to reducing our water usage. Sensor type taps were installed for reducing water consumption in washrooms.

Energy Consumption and Intensity

KPI Description	2017/18	2016/17 (Note 1)
Diesel for vehicles (Litres/year)	**17,472**	n/a
Electricity purchased (kWh/year)		
Shops	**1,729,349**	2,284,763
Warehouse and office	**1,131,077**	1,157,952
Total (kWh/year)	**2,860,426**	3,442,715
Intensity of electricity consumption for shops (kWh/sq. ft./year) (Note 2)	**22.67**	n/a
Intensity of electricity consumption for office & warehouse (kWh/sq. ft./year) (Note 2)	**8.87**	n/a

Note 1: No diesel consumption data was recorded in 2016/17.

Note 2: The total weighted-average floor area of shops: about 76,292 sq. ft. and of office and warehouse: about 127,467 sq. ft.

Use of Papers

Bauhaus is striving towards a paperless office. We formulated a paper-saving policy with a view to reducing the use of paper to a minimum. We reduced printing and copying by digitalisation of documents into image records for keeping. More and more digital data are stored in cloud storage to save physical storage spaces.

We encourage the staff to use recycled paper for printing, double-side printing and avoid colour printing. We set the default mode of the printers and computers to black-and-white printing. Our Marketing Department makes use of social media platforms and mobile apps for marketing promotion, using less and less paper leaflets, product catalogues and posters.

Packaging

We took the purchased amounts of plastic bags and paper as the amounts consumed. In reality, we are using less and the papers purchased are reserved for use over a longer period.

Since the enactment of the law on taxing the use of plastic bags, the purchase of plastic bags had been reduced. A slight increase in the use of bags was due to the fact that we organised more clearance sales than the previous year.

More and more e-shop customers choose to pick up their products at our physical stores, thus saving the packaging material. This practice has been set as a policy on environmental protection.

KPI (Measured in Tonnes)	2017/18	2016/17
Plastic/plastic-coated bags	**42.98**	37.70
Paper	**6.02**	6.20

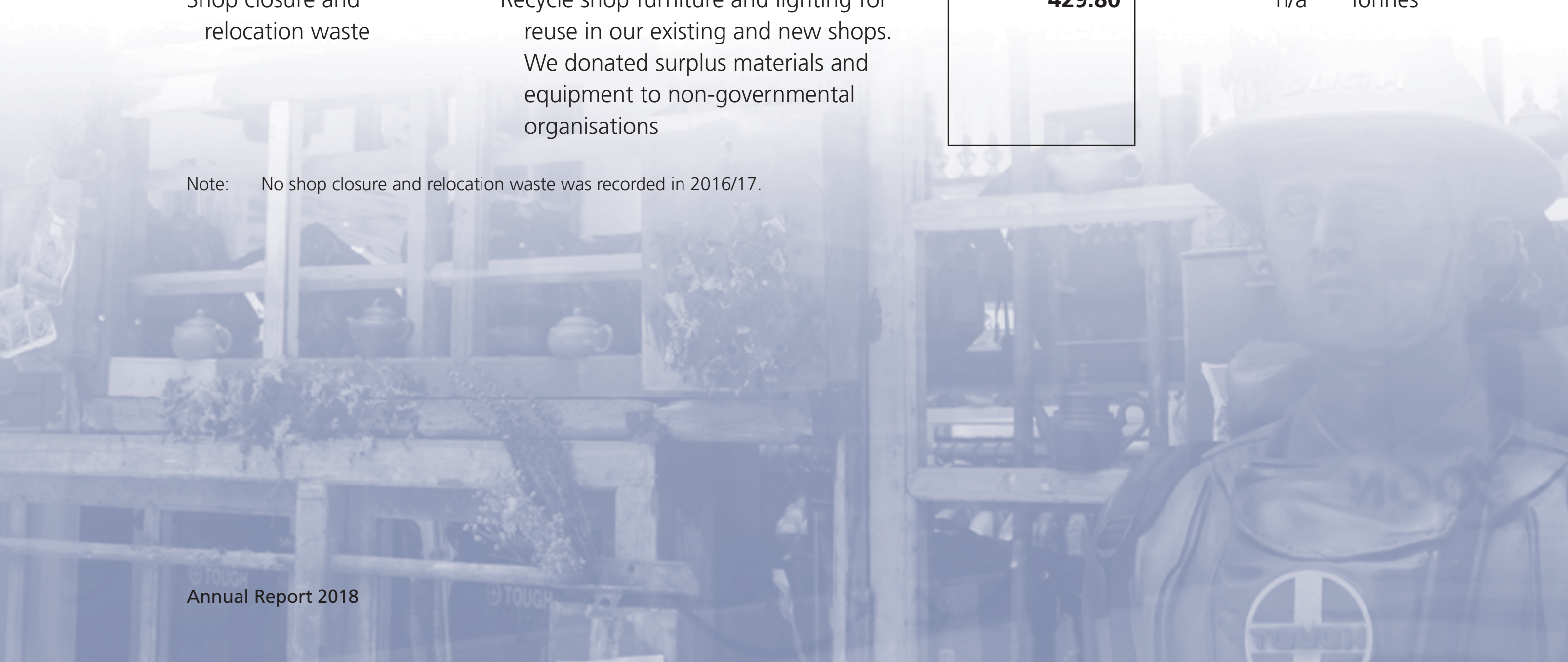
Disposal of Non-hazardous Wastes

In view of our business nature, Bauhaus is not aware of any significant generation of hazardous waste. The common non-hazardous waste was from the computer tools and toner cartridges. Our waste management policy includes the recycling of these wastes.

Toner cartridges and other worn-out computer equipment are collected for systematic disposal. Seven LCD TV screens were donated to a social organisation. We pledge to produce as little waste as possible. The non-hazardous wastes were reduced in the year under review as compared with the previous year.

Waste Type	Treatment	2017/18	2016/17 (Note)	Unit
Computer equipment at shops, and the office and warehouse	Sent to certified suppliers for recycling/ disposal	**0.50**	0.98	Tonnes
Toner cartridges at shops, and the office and warehouse	Returned to suppliers for recycling	**0.02**	0.02	Tonnes
Plastics, paper, metal, glass	Separated and sent to the nearest collection points daily	**14.23**	18.20	Tonnes
Shop closure and relocation waste	Recycle shop furniture and lighting for reuse in our existing and new shops. We donated surplus materials and equipment to non-governmental organisations	**429.80**	n/a	Tonnes

Note: No shop closure and relocation waste was recorded in 2016/17.



EMPLOYMENT AND STAFF DEVELOPMENT

Employment and Labour Practices

The nature of retail business relies heavily on people. Our success hinges on talented people and a devoted workforce. We recognise that human resources are valuable asset and we are obliged to take measures to provide a safe and pleasant working environment for our staff. The Group encourages career development and training and promotes a healthy work-life balance.

We adopt an open and equal opportunity policy, free of gender, race, family status, and age discriminations. We adopt a fair recruitment policy to make sure the best talent are employed.

As at 31 March 2018, we had 551 employees in Hong Kong, of which almost 71% are frontline retail staff. It is a young and energetic workforce – about 80% of our staff at the age between 21 and 40. With a view to retaining the talented people, we offer the best remuneration packages and fringe benefits. We offer longer paid maternity leave for our female colleagues, who need more time to nurture their babies and take care of their families. We are one of the first employers in Hong Kong to offer paternity leave to our male staff.

Health and Safety

Health is important for everyone. We provide fringe medical benefits to our employees. We believe that through these human resources practices, our employees could achieve a work-family life balance which would enhance their job satisfaction and performance.

Providing a safe working environment for our employees is a priority concern. We arranged for our warehouse colleagues to attend seminars on occupational safety. We are also equipped with proper tools such as ladders and trolleys. Regular inspections for safety facilities are conducted onsite at stores and warehouses. For frontline staff at shops, we regularly remind them of the safety hazards when working in the storerooms.

In the year under review, there was no work-related fatality case while six cases of work injury were reported, compared with five cases last year. The accumulated number of lost days due to work injury was 569 days, compared with 579 days last year.

Employment (Measured in Number of Employee)

By Gender	2017/18	2016/17
Female	**387**	396
Male	**164**	168
Total	**551**	564
By Age Group		
<20	**40**	43
21 – 40	**442**	461
41 – 60	**66**	58
> 60	**3**	2
Total	**551**	564
By Employment Type		
Full time	**493**	523
Part time	**58**	45
Total	**551**	564

Staff Development and Training

As an employer, it is important to enable our employees to develop their strengths and skills and provide them with long-term career perspectives. In the year under review, we arranged our staff to attend a total of about 7,575 hours (2017: 8,135 hours) of training and courses, including seminars, workshops and courses on employment ordinance, customer services, production management, and a number of inhouse training on products, visual displays and payment processing.

A transparent performance evaluation system has been established to ensure equal opportunity for promotion. We monitor effectively our recruitment procedures to ensure proper compliance. Recruitment and promotion are countersigned by the General Manager as a check and balance.

Bauhaus retail staff attend spreadsheet application course.

Labour Standards

All employees are provided with a handbook detailing the Group employment policies and benefits. The Group complies with all relevant legislation in Hong Kong including:

1. Employment Ordinance (Cap. 57)
2. Minimum Wage Ordinance (Cap. 608)
3. Mandatory Provident Fund Schemes Ordinance (Cap. 485)
4. Personal Data (Privacy) Ordinance (Cap. 486)
5. Sex Discrimination Ordinance (Cap. 480)
6. Disability Discrimination Ordinance (Cap. 487)
7. Family Status Discrimination Ordinance (Cap. 527) and
8. Race Discrimination Ordinance (Cap. 602).

No child labour or forced labour is allowed. All employees must show original personal identification documents during interview. During the year under review, the Group had no significant non-compliance cases in Hong Kong in relation to applicable laws and regulations on employment, health and safety as well as labour standards.

SOCIAL AND COMMUNITY

Customer Services

Bauhaus is committed to keeping our customers happy and pretty. We strive to create a favourable and pleasant shopping environment for our customers. Our frontline staff are regularly trained in etiquette, manners and skill in handling enquiries. We constantly provide training to our new staff, senior sales staff and supervisors to make them aware of the ever-changing customer needs and strive our best to meet their expectations. Bauhaus was awarded the certificate of Q Mark from the Quality Tourism Services Scheme.

In the year under review, we received a total of 145 cases (2017: 118) of product and service-related complaints. We are not happy with that. Thus we have promised that we would gear up our customer service training to improve the quality of our frontline services.

*Mr. Wong Yui Lam ("**Mr. Wong**"), the Chairman of the Group, shares Bauhaus' best practices with QTSA awarded merchants at the Quality Service Seminar in August 2017.*

Data Privacy Policy

The Group places personal data privacy as a top priority and pledges to meet fully with the legal requirements related to the personal data collected. The Group never sells, transfers or discloses any personal data to third parties without the consent from data owners. Sound security protection measures for the personal data are in place. The Group has implemented appropriate electronic and managerial measures in order to safeguard, protect and secure personal data against unauthorised access and use.

Supply Chain Management and Product Responsibility

The Group endeavours to achieve the highest standards of business ethics and integrity, and it also requests all of its vendors and suppliers to adhere to the same standards as well. All of the Group's business partners are requested to abide by the high standards of righteousness and fairness of society.

In the selection of suppliers, we require them to respect the key values and principles of our code of practice. The Group performs regular site visits and annual reviews to ensure that all of them abide by our requirements that no toxic material is used for product safety, no child and forced labour is employed, no workplace is unsafe for workers, no toxic waste is inappropriately disposed of, and no toxic gas is allowed to be emitted. The suppliers are clearly informed that any violations of such requirements may result in the cancellation of orders or renewal of their contracts. In addition, payments to suppliers are in strict accordance with the procurement management.

It is the Group's commitment to provide our customers with the best quality and safest products and it seeks to ensure that the products meet the environmental standards. Meanwhile, we observe and take appropriate action to protect intellectual property rights, which gives the business competitive edge. A designated team of officers is responsible for the registration of the Group's designs and self-created trademarks, and monitor the online sales to ensure that the products being sold online are legitimate.

Bauhaus provides a variety of imported and private labels for our customers. We have established systematic inspection procedures to guarantee the product quality. We require the suppliers to conduct fabric inspections, and quality assurance procedures in the production. We continue to communicate with suppliers of international brands to ensure the quality. In promoting its products, the Group also strictly abides by the Competition Ordinance (Cap. 619) to ensure customers enjoy full freedom of choice in a competitive marketplace.

The Group tries its best by all means to maintain a high accuracy in forecasting the sales and procurement so as to keep an inventory at an optional level.

During the year under review, the Group was not aware of any significant non-compliance regarding health and safety, advertising, labelling and privacy matters in its Hong Kong operations in relation to applicable laws and regulations on product responsibilities.

Anti-Corruption

Free and fair competition forms not only the basis of all commercial activities but the core values of Hong Kong as well. Bauhaus has been stressing the importance of integrity and honesty in the retail business and adopting a clean and fair business philosophy. We expect our staff to denounce and decline any monetary offers, gift and favours from suppliers. Bauhaus treasures its ethical values and leads its employees to adhere to these values too. We issue an inhouse quarterly journal for all staff to learn of the Group's latest policies and renewed code of practices, and anti-graft reminders in festive seasons.

A channel has been set up for all staff to file their reports or complaints where necessary as a means of reinforcing the Group's governance. The complaints, if any, will be handled directly by an independent non-executive director. No report was received in the year under review.

All business partners, including suppliers, contractors, franchisees, and wholesale partners must agree to our business practices. Bauhaus disapproves of any corrupt practices. As for our existing and new suppliers and vendors, we conduct a review annually. We require them to sign a letter of commitment that they have no conflict of interest with our staff, no offer or attempt to offer or acceptance of bribes or any form of facilitation payments to or from Bauhaus staff.

During the year under review, the Group was not aware of any significant non-compliance cases in its Hong Kong operations in relation to applicable laws and regulations on corruption, fraud and money laundering.

Social Responsibility and Community Involvement

The Group was awarded the Caring Company 15 Years Plus Certificate presented by the Hong Kong Council of Social Service for our long term commitment to caring employees, community and environment.

For the past years, we have been closely working with the Hong Kong Christian Service (HKCS) services. Bauhaus is a participating partner with HKCS in the "CLAP for Youth" programme targeting non-engaged youth. We recruited some of HKCS teenagers to work in Bauhaus stores as salespersons and in our e-commerce department. They were guided to help work out videos and promotional posters for our online shopping platform, and were given a chance to apply what they learned from the HKCS into practice at Bauhaus.

The Group is a long-term supporter to CCC Mongkok Church Kai Oi School, which is a special education school. Bauhaus' Chairman Mr. Wong makes regular visits to the school and teaches students to ride bicycles.

Mr. Wong is concerned with teenage education. He shared his career experience with about 200 students in the Yu Chun Keung Memorial College No 2 in Pok Fu Lam in February 2018. He encouraged them to study hard so as to set a good foundation for their future career development.

Bauhaus sponsored a youth programme organised by the Junior Chamber International Island (Hong Kong) Limited (JCI Island). The participants presented their creative ideas in reforming Bauhaus. The winner was awarded a job as management trainee in Bauhaus.

Bauhaus is a regular sponsor to many charitable cycling activities, including the Uncycling Games and the annual activities organised by Shanghai Commercial Bank and Pok Oi Hospital.

Mr. Wong gives talk to secondary school students.

Secondary school students visit Bauhaus office.

Hackathon 2017 is sponsored by Bauhaus.

Mr. Wong teaches students to ride stationary bicycles.

Our retail frontline staff also took part in voluntary services. They visited an elderly centre in Kowloon Bay around the mid-Autumn Festival to share the happy festival moments with the elderly there.

Bauhaus staff gave blood twice in the year under review. Bauhaus' training room was used as a donation centre. The recent activity was opened not just to Bauhaus staff, but also to donors from the nearby buildings. The number of blood donors has increased.

During the year, the Group made donations in kind and in cash. A total of HK$839,000 was donated to a variety of charitable organisations and a quantity of clothing was donated to the needy.

Bauhaus staff visit elderly centre during the Moon Festival.

Blood donation events are held at Bauhaus office.

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

Shares		**As at 31 March 2018 No. of shares**	As at 31 March 2017 No. of shares
Authorised shares	:	**2,000,000,000**	2,000,000,000
Issued shares	:	**367,380,000**	367,380,000

		FY 2017/18 HK cents	FY 2016/17 HK cents
Basic earnings per share	**:**	**11.1**	17.7
Diluted earnings per share	**:**	**11.1**	17.7
Dividend per share			
Interim	:	**–**	–
Proposed final	:	**7.5**	7.5
TOTAL		**7.5**	7.5

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 *(both days inclusive)*
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 *(both days inclusive)*
Payment of 2016/17 final dividend	:	27 September 2017
2017/18 interim results announcement	:	28 November 2017
2017/18 annual results announcement	:	29 June 2018
Closure of Register of Members for 2017/18 annual general meeting	:	24 August 2018 to 30 August 2018 *(both days inclusive)*
2017/18 annual general meeting	:	30 August 2018
Closure of Register of Members for 2017/18 proposed final dividend	:	7 September 2018 to 11 September 2018 *(both days inclusive)*
Payable of 2017/18 proposed final dividend	:	21 September 2018
Official website	**:**	www.bauhaus.com.hk
Financial year end	**:**	31 March
Interim period end	**:**	30 September

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 AUDITORS
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Hong Kong

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Corporation Limited
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Hong Kong

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Cricket Square,
Grand Cayman KY1-1001,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
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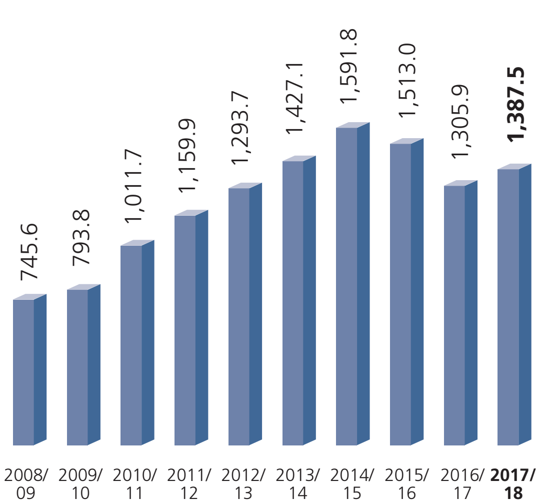
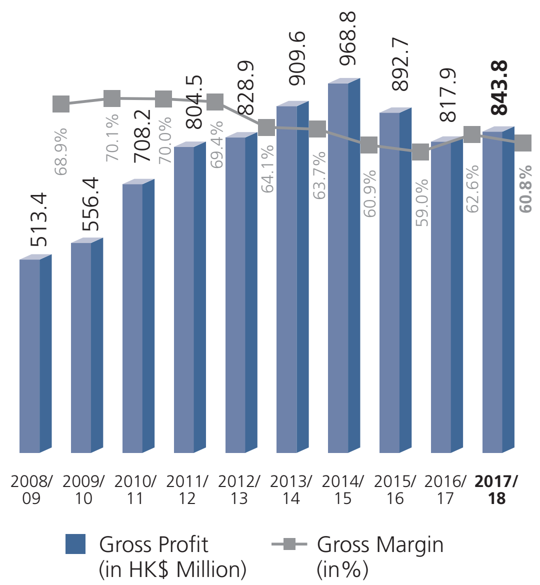
183 Queen's Road East
Hong Kong

INVESTOR RELATION
Strategic Financial Relations Limited
24/F, Admiralty Centre I,
18 Harcourt Road, Hong Kong

Sales (in HK$ Million)

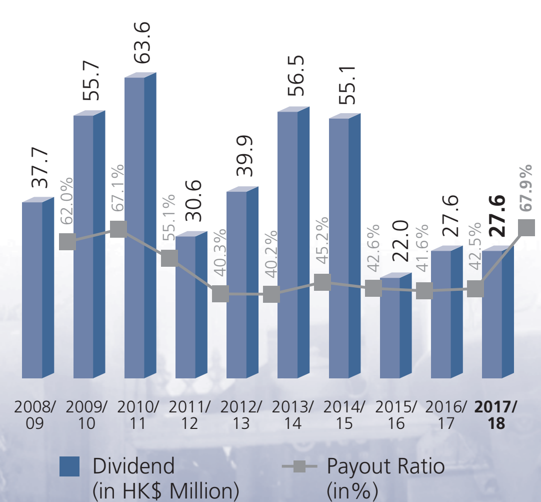


Gross Profit & Gross Margin



Net Profit & Net Margin

Dividend & Payout Ratio



SEGMENT TURNOVER

	Turnover			Turnover Composition		
By Region	FY 2017/18 HK$ million	FY 2016/17 HK$ million	Change %	FY 2017/18 %	FY 2016/17 %	Change % pts
Hong Kong and Macau	**912.7**	838.4	+8.9	**65.8**	64.2	+1.6
Taiwan	**339.5**	340.6	–0.3	**24.5**	26.1	–1.6
Mainland China	**135.1**	123.3	+9.6	**9.7**	9.4	+0.3
Elsewhere	**0.2**	3.6	–94.4	**0.0**	0.3	–0.3
	1,387.5	1,305.9	+6.2	**100.0**	100.0	

SELF-MANAGED RETAIL NETWORK – OFFLINE

		No. of shops/counters/outlets			
		Hong Kong and Macau	Taiwan	Mainland China	TOTAL
As at 31 March 2018					
In-House Brand	**BAUHAUS**	**26**	**10**	**5**	**41**
	SALAD	**24**	**6**	**18**	**48**
	TOUGH	**3**	**23**	**3**	**29**
	Others	**4**	**2**	**–**	**6**
Licensed Brand	**SUPERDRY**	**17**	**36**	**–**	**53**
	Others	**–**	**5**	**–**	**5**
TOTAL		**74**	**82**	**26**	**182**
Aggregate sales footage (in sq. feet)		**90,269**	**91,345**	**21,100**	**202,714**
As at 31 March 2017					
In-House Brand	BAUHAUS	30	11	4	45
	SALAD	26	7	18	51
	TOUGH	3	27	3	33
	Others	4	2	–	6
Licensed Brand	SUPERDRY	15	33	–	48
	Others	2	11	–	13
TOTAL		80	91	25	196
Aggregate sales footage (in sq. feet)		106,383	86,644	21,621	214,648

		Notes	FY 2017/18	FY 2016/17	Change
KEY FINANCIAL RATIOS					
Performance					
Gross Margin	(%)	1	**60.8**	62.6	–1.8% pts.
Net Profit Margin	(%)	2	**2.9**	5.0	–2.1% pts.
Return on Average Equity	(%)	3	**4.9**	8.2	–3.3% pts.
Return on Average Assets	(%)	4	**4.2**	7.0	–2.8% pts.
Operating					
Inventory Turnover Days		5	**197**	200	–3 days
Debtors' Turnover Days		6	**14**	14	–
Creditors' Turnover Days		7	**21**	21	–
Liquidity and Gearing					
Current Ratio		8	**4.9**	4.9	–
Quick Ratio		9	**2.5**	2.8	–10.7%
Gearing Ratio	(%)	10	**–**	0.6	–0.6% pts.
PER SHARE DATA					
Book Value Per Share	(HK cents)	11	**226.4**	220.6	+2.6%
Basic Earnings Per Share	(HK cents)	12	**11.1**	17.7	–37.3%
Diluted Earnings Per Share	(HK cents)	13	**11.1**	17.7	–37.3%
Dividend Per Share					
Interim	(HK cents)		**–**	–	–
Proposed Final	(HK cents)		**7.5**	7.5	–
			7.5	7.5	–
Dividend Payout Ratio	(%)	14	**67.9**	42.5	+25.4% pts.

Notes:

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

2 "Net Profit Margin" is calculated as the profit for the year attributable to equity holders of the parent divided by turnover for the year.

3 "Return on Average Equity" represents the profit for the year 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 profit for the year 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 year.

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 year.

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 year.

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 the reporting period of 367,380,000 (2017: 367,380,000).

12 "Basic Earnings Per Share" is calculated as the profit for the year attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the year under review of 367,380,000 (2017: 367,380,000).

13 "Diluted Earnings Per Share" is calculated as the profit for the year attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the year under review and all dilutive potential ordinary shares of 367,380,000 (2017: 367,380,000) in aggregate.

14 "Dividend Payout Ratio" represents the aggregate dividends declared and proposed for the year under review divided by the profit for the year attributable to equity holders of the parent.

DIRECTORS

Executive Directors

Mr. Wong Yui Lam, aged 60, is the founder, the Chairman, the Chief Executive Officer and the Authorised Representative of the Group. He is responsible for the overall management and strategic planning of the Group. Mr. Wong conceived the concept and brandname "TOUGH", the first in-house brand of the Group, and is responsible for overall development including design and direction of the brand. Mr. Wong has more than 25 years of experience in fashion industry. He was awarded the Teacher's Certificate by Sir Robert Black College of Education in 1981 and obtained an Executive Master Degree in Business Administration from the Chinese University of Hong Kong in 2014. In March 2015, Mr. Wong was awarded the Honorary Fellowship by The Hong Kong Institute of Education to salute his outstanding achievement and devotion. Mr. Wong is the father of Ms. Wong Hei Ting and Ms. Wong Hei Man, Frances, members of the Group's senior management.

Madam Lee Yuk Ming, aged 50, is the General Manager and the Authorised Representative of the Group. She is responsible for implementation of corporate strategies and co-ordination among different departments and business units of the Group. Madam Lee is also responsible for administration, human resources, leasing affairs and financial management of the Group. She oversees the Group's business operation in Taiwan. Madam Lee is an associate member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. She obtained a Diploma in Management Studies from the Hong Kong Polytechnic University/Hong Kong Management Association in 1998. Madam Lee has more than 25 years of experience in different areas including accounting, finance and management. She joined the Group in April 2002.

Mr. Yeung Yat Hang, aged 41, is the Operation Manager of the Group. Mr. Yeung is responsible for overseeing the Group's business operation in Mainland China. He is also responsible for the Group's leasing affairs and executing various development projects. Mr. Yeung has more than 20 years of experience in business negotiation, project management, shop decoration and retail operation. He joined the Group in May 1994.

Independent Non-Executive Directors

Mr. Chu To Ki, aged 52, was appointed as an Independent Non-Executive Director on 1 May 2005. Mr. Chu graduated from the University of Hong Kong in June 1998 with Postgraduate Certificate in Laws and obtained from Manchester Metropolitan University a Bachelor Degree in Laws in September 1999. Mr. Chu was admitted as a solicitor of the High Court of Hong Kong in March 2000. Mr. Chu has more than 25 years of experience in the legal field in Hong Kong. Mr. Chu is currently a principal of the solicitors firm TKC Lawyers.

Mr. Mak Wing Kit, aged 50, was appointed as an Independent Non-Executive Director on 1 May 2005. Mr. Mak graduated from the Boston University in United States in 1997 with a Master Degree of Science in Administrative Studies. Mr. Mak is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Mak has more than 25 years of experience in auditing, accounting, company secretarial affairs and financial control in Hong Kong. Mr. Mak is currently the financial controller of a private company based in Hong Kong and People's Republic of China ("**PRC**").

Mr. Mak Siu Yan, aged 44, was appointed as an Independent Non-Executive Director on 4 July 2016. Mr. Mak has about 20 years' experience in the electronic, electrical and information systems engineering industry. He is having a Chartered Engineer qualification from May 2018 and is currently serving Thales group as Industrial Engineer from 2015. He previously served as managing director with Katze Engineering Company from 1996 to 1999, responsible for project management in various railway projects. He also served various positions such as analyst, project manager and internal test consultant in several companies, namely AIA Pension and Trustee Co. Ltd., CMG Pension and Retirement Co. Ltd., Xavor Corporation and EMC Computer Systems (Far East) Limited, in-between the period of 2000 and 2004, responsible for business analysis and software assurance. In addition, Mr. Mak was an account delivery manager in Hewlett Packard (HKSAR) Limited from 2007 to 2008, the general manager of Fuel Injection Technologies Limited from 2008 to 2009, and a factory manager of Dongguan Korex Machinery Co. Ltd. from 2004 to 2007 and from 2010 to 2014, respectively. Mr. Mak holds a Master Degree of Business Administration from University of Sunderland in 2014, a Postgraduate Diploma in Business Administration from the University of Leicester in 2006 and a Bachelor Degree of Engineering from the University of Sussex in 1995.

SENIOR MANAGEMENT

Ms. Wong Hei Ting, aged 31, is the Design Director of the Group. Ms. Wong oversees the Group's product design and accessories merchandising. She delivers seasonal planning of collections as well as managing the design and production process. Ms. Wong obtained a Bachelor Degree in Business Administration from The Hong Kong University of Science and Technology in 2009. She joined the Group in February 2013 and is a daughter of Mr. Wong Yui Lam, the Chairman, the Chief Executive Officer and an executive director of the Company, and the sister of Ms. Wong Hei Man, Frances, the Retail Director of the Group.

Ms. Wong Hei Man, Frances, aged 30, is the Retail Director of the Group. Ms. Wong oversees the Group's retail operations. She is responsible for developing retail and promotional strategies with a view to optimising the sales across the shop networks to meet the Group's business goals. Ms. Wong obtained a Bachelor Degree in Management from The University of Warwick in United Kingdom in 2010, and a Graduate Diploma in Law from the BPP University in United Kingdom in 2012. She joined the Group in December 2013 and is a daughter of Mr. Wong Yui Lam, the Chairman, the Chief Executive Officer and an executive director of the Company, and the sister of Ms. Wong Hei Ting, the Design Director of the Group.

Mr. Chan Chung Kai, aged 53, is the Strategic Marketing Director of the Group. Mr. Chan has more than 25 years of experience in strategic brand development and he has successfully introduced many foreign brands into Hong Kong market with overwhelming responses. He is responsible for the Group's overall procurement strategies, implementation of buying plans and overseeing the Group's import and licensed brand development. Prior to joining the Group in January 2007, Mr. Chan gained extensive strategic marketing experience in a sizable fashion group.

Madam Lau Wing Yu, Win, aged 49, is the Chief Marketing Officer of the Group. She joined the Group in July 2010 and has more than 25 years of experience in fashion marketing. Madam Lau is an associate member of Hong Kong Retail Technology Industry Association and a member of Hong Kong Institute of Marketing. She is principally responsible for marketing strategies, brand building, product marketing, media relations, public relations, visual merchandising and brand crossover cooperation with various worldwide renowned artists.

Mr. Li Kin Cheong, aged 42, is the Financial Controller, the Company Secretary and the Qualified Accountant of the Group. He is responsible for overseeing the Group's financial management, accounting and company secretarial affairs. Mr. Li is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He holds a Master Degree in Business Administration from The Chinese University of Hong Kong and a Bachelor Degree in Accountancy from the Hong Kong Polytechnic University. He has about 20 years of experience in accounting, auditing, corporate finance and company secretarial affairs. Prior to joining the Group in June 2005, he was a manager of an international accounting firm.

Madam Chan Wai Chun, Candy, aged 52, is the Administration Manager of the Group. She is responsible for administration and human resources management of the Group. Madam Chan has more than 25 years of shop management and administration experience in Hong Kong. She has been with the Group since the opening of its first Bauhaus shop in 1991.

BUSINESS REVIEW

The Group is principally engaged in the design and retail of trendy apparel, 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".

The first half of financial year 2017/18 was still challenging for the Group while it observed increasing signs of recovery and improvement of consumption sentiments in retail sectors, particularly in the Hong Kong and Macau region, in the second half of the financial year under review. The Group recorded a turnaround in the overall same-store-sales growth from about –10% in the last financial year to about +3% for the year under review. Turnover of the Group increased by about 6.2%, to approximately HK$1,387.5 million for the year under review (2017: HK$1,305.9 million) despite the reduced total number of retail stores after retail network consolidation.

However, mainly owing to unsatisfactory performance in Taiwan and absence of certain material one-off gains which were recorded in the last financial year, net profit of the Group declined by about 37.4% to about HK$40.6 million (2017: HK$64.9 million). Its net margin also reduced to about 2.9% (2017: 5.0%). In spite of having to operate under the sway of complex market dynamics, the Group still managed to maintain highly flexible operations, strong liquidity and with no financial gearing, 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 ended 31 March 2018, the segment accounted for about 65.8% (2017: 64.2%) of the Group's total turnover. Although the retail sentiment was quite volatile during the year under review and the Group underwent consolidation in Hong Kong's retail network leading to a reduction in total number of stores, the growth momentum in sales from the region has gradually resumed since the second half of the financial year. The Group recorded a positive growth of about 8% in the region's same-store-sales and the turnover of the segment increased by about 8.9% to approximately HK$912.7 million (2017: HK$838.4 million). Encouragingly, the segmental profit also climbed drastically by about 43.4% to about HK$118.9 million (2017: HK$82.9 million) for the year ended 31 March 2018.

In the first half of the financial year, the Group materially completed the retail network consolidation exercise during recent years in Hong Kong to streamline its loss-making or under-performing offline retail shops and to revive its growth momentum. As a result, the Group closed 15 shops during the year under review while at the same time, it also strategically placed eight retail shops in new locations with either better sales potential or a competitive operating cost structure. As at 31 March 2018, it had 62 stores in Hong Kong (2017: 69). More data was observed indicating gradual recovery in the region and the consumption climate in general had improved since the second half of the financial year. The relatively softer Hong Kong dollar against other currencies possibly encouraged inbound tourist arrivals and their spending. In addition, the Group put much effort to improve its merchandise mix and product matching with customer preference. These factors have positively contributed to the retail performance in Hong Kong.

The business performance in Macau was promising. Upon the recovery of the gaming sector in Macau, retail consumption obviously increased during the year under review. The Group has gradually expanded its retail coverage in reputable shopping malls.

BUSINESS REVIEW *(Continued)*

Taiwan

The retail market in Taiwan was stagnant and the segmental performance was unsatisfactory. Although the segment was able to maintain a comparable turnover of about HK$339.5 million (2017: HK$340.6 million), the Group incurred a segment loss of about HK$3.1 million (2017: profit of HK$24.2 million) for the year under review.

The Group recorded a negative same-store-sales growth on a year-on-year basis of about 8% in Taiwan for the year ended 31 March 2018. The retail performance in the first half of the financial year was particularly worse, while there was some improvement noted in the second half. The Group not only closely monitored the effectiveness of its shop merchandise, but also promptly adjusted its retailing strategies in response to the complicated market conditions. To galvanise customer traffic, the Group was required to offer attractive promotional activities and sales discounts. Apart from selling products through regular retail channels, the Group also established more short-term outlets across the island for bargain sales and to accelerate stock turnover of slow-moving items.

In view of the prolonged weak retail climate, the Group has started to gradually contract the scale of its regular retail network in Taiwan and was eliminating a number of loss-making stores/counters during the year under review. At the end of the reporting period, the Group operated a total of 82 stores/counters (2017: 91) in Taiwan, within reputable department stores in major Taiwan cities.

Mainland China

As at 31 March 2018, the Group ran 26 self-managed retail shops (2017: 25) in Beijing, Shanghai, Guangzhou and Zhuhai and maintained a streamlined franchise network covering mainly second-tier Mainland cities. Turnover from the Mainland China segment increased by about 9.6% to about HK$135.1 million (2017: HK$123.3 million) and the region's offline retail network recorded a strong same-store-sales growth of about 9% (2017: –3%) for the year under review. However, mainly resulting from closure of certain under-performing stores, and pre-opening and establishment expenses invested to explore new potential cities for shop openings in coming years, the segment recorded a loss of about HK$2.3 million (2017: profit of HK$3.9 million) for the year ended 31 March 2018.

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, the Group continued to revamp its existing retail network and streamline certain under-performing stores. The consolidated retail networks offered a relatively stable sales and profit contribution to the region. In addition, the Group was also proactively exploring new cities in Mainland China to expand and develop its retail business. During the year under review, the Group had entered Zhuhai and commenced its self-managed retail operations with an encouraging sales performance.

Apart from the traditional offline retail network, the Group also proactively developed online distribution platforms like Tmall. The Group continuously achieved exponential growth in sales on China's online sales channels during the year under review. With a business presence online, the Group is not only gradually achieving seamless retail coverage nationwide at a relatively lower cost, but also is increasing awareness on its in-house brands across the country.

FINANCIAL REVIEW

Turnover and Segment Information

Turnover of the Group increased by approximately 6.2% to around HK$1,387.5 million for the year ended 31 March 2018 (2017: HK$1,305.9 million). The Group recorded a turnaround in the overall same-store-sales growth from about –10% in last financial year to about +3% for the year under review. The offline retail business was the largest sales contributor, accounting for approximately 96.6% (2017: 97.1%) of the Group's total turnover for the year under review. Details of the Group's turnover and the contribution to profit before tax by segment are shown in Note 4 to the financial statements.

Gross Profit and Gross Margin

The Group's gross profit increased to approximately HK$843.8 million for the year ended 31 March 2018 (2017: HK$817.9 million), while gross margin slightly dropped to around 60.8% (2017: 62.6%). The Group always closely monitors its stock level and promptly reacts to maintain a healthy inventory portfolio. Mostly in the second half of the financial year, the Group launched several massive bargain sales activities and online promotional activities to improve stock turnover rate and to reduce inventory of slow-moving products. However, these sales events imposed certain pressure on its gross margin. In addition, the gradual appreciation of the Pound Sterling against the Hong Kong dollar during the year under review also slightly increased purchases cost in general for the Group's merchandise, which in turn affected the gross margin.

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 underwent restructuring programs on its retail networks during past several years. The Group has closed a number of loss-making, under-performing or costly stores while at the same time identifying appropriate locations for new stores with better sales prospects and reasonable cost package. Rental expenses were reduced by about 3.8% to about HK$306.7 million (2017: HK$318.8 million), which accounted for about 38.8% (2017: 41.8%) of the Group's total operating expenses for the year under review. To mitigate market rental increment as well as maintain a cost-effective operating structure, the Group adopts an on-going practice of strategically relocating, consolidating and adjusting its retail portfolio from time to time.

Staff cost increased to approximately HK$237.4 million (2017: HK$218.3 million) during the year ended 31 March 2018 and staff cost-to-sales ratio increased slightly to about 17.1% (2017: 16.7%). To prepare for gradual expansion plans, particularly in Mainland China, the Group had invested more on recruiting and training its retail management and front-line workforce. At the end of the reporting period, headcount of the Group increased to 1,220 (2017: 1,197).

The management was also aware of the need to control costs in other work areas. Efforts were made to rationalise work procedures to raise efficiency and effectiveness as well as to invest wisely on advertising spending, capital expenditure, etc. Depreciation charges increased to approximately HK$41.8 million (2017: HK$40.4 million) for the year under review. Marketing and advertising expenses totalled approximately HK$46.5 million for the year ended 31 March 2018 (2017: HK$36.5 million), representing proportionally about 3.4% (2017: 2.8%) of the Group's turnover. The Group focused its marketing efforts on key brands and products to optimise promotional benefits.

The Group's overall operating expenses increased slightly by about 3.6% to approximately HK$789.8 million (2017: HK$762.6 million) during the year ended 31 March 2018.

Other Income and Gains

In the prior year, the Group disposed an under-utilised property situated in Macau and realised a gain of about HK$5.5 million. Besides, upon completing the deregistration of a Mainland subsidiary and a subsidiary incorporated in the United Kingdom, the Group realised a gain on deregistration of subsidiaries of about HK$8.1 million during the year ended 31 March 2017. In absence of those one-off exceptional gains and the gradual appreciation of the Pound Sterling against the Hong Kong dollar during the year under review leading to greater exchange losses from purchases of import goods, the Group's other income and gains (including the gain on deregistration of subsidiaries) dropped substantially to about HK$3.2 million (2017: HK$19.0 million).

Finance Costs

The Group incurred finance costs of about HK$0.4 million (2017: HK$0.2 million), representing interest expense paid for bank borrowings, during the year under review.

Net Profit

The Group's net profit attributable to equity holders declined by about 37.4% to approximately HK$40.6 million for the year ended 31 March 2018 (2017: HK$64.9 million). Net profit margin also dropped to about 2.9% (2017: 5.0%). The unfavourable results were primarily attributed to the absence of certain one-off exceptional gains that were recorded in the last financial year and the weak retail performance in Taiwan during the year under review.

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 of Christmas, New Year and the Lunar New Year fall.

CAPITAL STRUCTURE

As at 31 March 2018, the Group had net assets of approximately HK$831.9 million (2017: HK$810.6 million), comprising non-current assets of approximately HK$319.0 million (2017: HK$312.1 million), net current assets of approximately HK$520.0 million (2017: HK$503.6 million) and non-current liabilities of approximately HK$7.1 million (2017: HK$5.1 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the Group had cash and bank balances of about HK$217.9 million (2017: HK$290.4 million). At the end of the reporting period, the Group had aggregate banking facilities of about HK$144.8 million (2017: HK$150.7 million) comprising interest-bearing bank overdraft, revolving loans, rental and utility guarantees as well as import facilities, of which about HK$135.9 million had not been utilised (2017: HK$137.9 million). The Group has repaid all its bank borrowings during the year under review and had no borrowings as at 31 March 2018 (2017: HK$5.9 million, which was in Hong Kong dollars repayable within one year and bearing interest at variable rates from about 2% to 3% per annum). 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 zero (2017: 0.6%).

CASH FLOWS

For the year ended 31 March 2018, net cash inflow from operating activities decreased remarkably to approximately HK$3.6 million (2017: HK$142.7 million), which was mainly due to increase in inventories, trade receivables and rental deposits paid for new stores opening. The Group's net cash flows used in investing activities increased to about HK$49.8 million (2017: HK$33.8 million) during the year under review. The rise was mainly contributed by the increase in capital expenditure on shop renovation as well as the absence of cash proceed from disposal of a property. Net cash flows used in financing activities increased to approximately HK$33.5 million (2017: HK$29.0 million) mainly attributed to repayment of all bank borrowings during the year under review.

SECURITY

As at 31 March 2018, the Group's general banking facilities were secured by certain of its land and buildings with aggregate carrying value of approximately HK$112.2 million (2017: HK$114.7 million).

CAPITAL COMMITMENT

The Group had no material capital commitment contracted, but not provided for as at 31 March 2018 (2017: Nil).

CONTINGENT LIABILITIES

As at 31 March 2018, 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 (2017: HK$5.2 million).

In addition, the Group early terminated certain leases for properties during the current and prior years. 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. As at the end of the reporting period, 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 1,220 (2017: 1,197) employees as at 31 March 2018. 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 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 dollar, New Taiwan dollar, Renminbi and Pound 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. The Group's objective and polices in foreign exchange risk management and other major financial risk management are set out in Note 37 to the financial statements.

The Company and its subsidiaries (the "**Group**") are committed to maintaining a high standard of corporate governance which serves as a vital element throughout the development of the Group. The board of directors (the "**Board**") of the Company emphasises on maintaining and conducting sound and effective corporate governance structure and practices. Throughout the year ended 31 March 2018, the Company has complied with the applicable code provision of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") of the Stock Exchange except for the deviation from CG Code provision A.2.1 in respect of the roles of chairman (the "**Chairman**") and chief executive officer (the "**CEO**") of the Company. Explanations for such non-compliance are discussed later in the section of "Chairman and Chief Executive Officer" in this Corporate Governance Report.

BOARD OF DIRECTORS

The Board is collectively responsible for the management of the Group, and is charged with a mission of promoting success and providing effective leadership to the Group. All directors of the Company (the "**Directors**") are aware of their collective and individual responsibilities to the shareholders, the duties to act honestly and in good faith in the interest of the Company and its shareholders as a whole and to avoid conflict of interests.

The Board is responsible for formulating corporate strategies of the Group, setting goals and objectives for the management as well as monitoring and controlling the performance of the management. The management of the Group implements the strategic plans and deals with day-to-day operational matters of the Group under the delegation and authority of the Board.

As at 31 March 2018, the Board comprised six members, including three executive Directors and three independent non-executive Directors, as shown below:

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

The biographical details of the Directors and the relationship among the members of the Board, if any, are set out in the section of "Directors and Senior Management" on pages 19 to 20 of this Annual Report.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive strategic planning and execution experience and/or expertise relevant to the business of the Group.

In compliance with Rule 3.10(1) and (2) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, who have represented at least one-third of the Board. The Board considers that all the independent non-executive Directors have appropriate and sufficient business, legal and/or finance experience and qualifications to carry out their duties so as to protect the interests of the shareholders of the Company.

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence as required under Rule 3.13 of the Listing Rules. The Company considered all the independent non-executive Directors to be independent. The independent non-executive Directors are explicitly identified in all corporate communications.

BOARD OF DIRECTORS *(Continued)*

Each of the independent non-executive Directors has taken up the role as an independent non-executive Director for an initial term of one year and is subject to retirement and re-election in accordance with the articles of association of the Company.

Mr. Mak Wing Kit and Mr. Chu To Ki have served as independent non-executive Directors for more than nine years. Pursuant to provision A.4.3 of the CG Code, their further appointment shall be subject to a separate resolution to be approved by shareholders. In particular, Mr. Chu To Ki ("**Mr. Chu**") will retire by rotation and, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company. The Board considered that Mr. Chu has exercised judgment in the best interest of the Company when discharging his duties as an independent non-executive Director. Despite his length of service, there is no evidence that the independence of Mr. Chu, especially in terms of exercising independent judgment and objective challenges to the management, has been or will be in any way compromised or affected. Mr. Chu has also provided an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board is therefore satisfied that Mr. Chu meets the independence guidelines set out in Rule 3.13 of the Listing Rules and continues to be independent.

If a Director has conflict of interest in a transaction or proposal to be considered by the Board and which the Board has determined to be material, the individual Director concerned declares his/her interest and is required to abstain from voting. The matter is considered at a Board meeting with the presence of the independent non-executive Directors who have no material interest in the proposed transaction.

According to the articles of association of the Company, the Directors for the time being of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in their respective offices. The Company has maintained appropriate director liability insurance in respect of legal action against the Directors from their liabilities arising out of corporate activities. The insurance coverage will be reviewed regularly to ensure its effectiveness and sufficiency.

Pursuant to CG Code provision A.6.5, the Directors are required to participate in continuous professional development so as to ensure that their contribution to the Board remains informed and relevant. Accordingly, the Group also adopted a corporate governance policy requiring every newly appointed Director should receive a comprehensive, formal and tailored induction on appointment of at least 15 hours from the Chairman, other senior Directors and/or external professional bodies, as appropriate, so as to ensure that they have appropriate understanding of the business and operations of the Group and that they are fully aware of their responsibilities and obligations under the Listing Rules and relevant regulatory requirements. In addition, all the Directors are required to participate in at least 15 hours of continuous professional development in each financial year to develop and refresh their knowledge and skills, either through in-house training or external professional resources. All the Directors have complied with the requirements during the year ended 31 March 2018.

BOARD OF DIRECTORS *(Continued)*

A summary of training received by the Directors during the year under review is as follows:

	Type of training
Executive Directors	
Mr. Wong Yui Lam *(Chairman and Chief Executive Officer)*	A, B, C, D
Madam Lee Yuk Ming	A, B
Mr. Yeung Yat Hang	A, B
Independent Non-Executive Directors	
Mr. Chu To Ki	A, B
Mr. Mak Wing Kit	A, B
Mr. Mak Siu Yan	A, B

A: reading newspaper/journals and updates relating to retail industry, corporate governance and/or director's responsibilities
B: attending technical seminars/conferences/workshops/forums
C: giving talks at classes/seminars/forums
D: attending postgraduate studies organised by a tertiary educational institution

During the year ended 31 March 2018, Mr. Li Kin Cheong, the company secretary of the Company (the "**Company Secretary**"), has also undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

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. However, the roles of the Chairman and the CEO are not separated and are performed by the same person. Mr. Wong Yui Lam ("**Mr. Wong**") held and is currently holding both positions. As the founder of the Group, Mr. Wong has substantial experience in fashion industry and retail operations. The Board considers 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 Board believes 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.

BOARD MEETINGS

Board meetings are held regularly and at least four times a year at approximately quarterly intervals. For regular Board meetings, notices of at least 14 days together with respective agendas are given to facilitate maximum attendance of the Directors. At the meeting, the Directors are provided with the relevant documents to be considered and approved. Draft minutes of Board meeting are circulated to all the Directors for comments. Minutes of Board meetings are taken by the Company Secretary or a duly appointed secretary of the Board meeting and are open for inspection by any Director.

The table below sets out the attendance of each Director at the annual general meeting (the "**AGM**") and the meetings of the Board and other Board committees held during the year under review:

	AGM	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
Mr. Wong Yui Lam *(Chairman and Chief Executive Officer)*	1/1	5/5	n/a	n/a	n/a
Madam Lee Yuk Ming	1/1	5/5	n/a	n/a	n/a
Mr. Yeung Yat Hang	1/1	5/5	n/a	n/a	n/a
Independent Non-Executive Directors					
Mr. Chu To Ki	1/1	5/5	3/3	1/1	1/1
Mr. Mak Wing Kit	1/1	5/5	3/3	1/1	1/1
Mr. Mak Siu Yan	1/1	5/5	3/3	1/1	1/1

BOARD COMMITTEES

The Board established three committees, namely the audit committee, the remuneration committee and the nomination committee, on 22 April 2005 with written terms of references in compliance with the CG Code. As at 31 March 2018, all those committees comprise three independent non-executive Directors, namely, Mr. Mak Wing Kit, Mr. Chu To Ki and Mr. Mak Siu Yan, who have appropriate professional qualifications and experiences in accounting, legal affairs, financial, information technology and/or business management. Mr. Mak Wing Kit is the chairman of the audit committee and the remuneration committee and Mr. Mak Siu Yan is the chairman of the nomination committee. The committee members may call any meetings at any time when necessary or desirable.

Audit Committee

The primary duties of audit committee are to make recommendations to the Board on the appointment, re-appointment and removal of external auditor, to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; to review and monitor the integrity of the Group's financial information (including, but not limited to, the Group's consolidated financial statements, interim report and annual report, etc.); to oversee the Group's financial reporting system, risk management and internal control systems; and to develop, review and monitor the Group's corporate governance functions delegated by the Board.

During the year under review, the audit committee reviewed the Group's consolidated financial statements, interim and annual reports, the accounting principles and practices adopted, risk management, internal control and financial reporting systems, and also plans and findings of audit from both internal and external auditors. In addition, the audit committee also reviewed the external auditor's independence, approved the external auditor's remuneration and terms of engagement and recommended the Board for re-appointment of the external auditor. For corporate governance, the audit committee reviewed the Group's compliance with the CG Code, including respective policies and practices, and disclosures in this Corporate Governance Report.

Remuneration Committee

The primary duties of remuneration committee are to make recommendations to the Board on the Group's policy and structure for Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing such remuneration policy; to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and to make recommendations to the Board on the remuneration packages of executive Directors and senior management.

The primary goal of the remuneration policy with regard to the remuneration packages to the Directors, senior management and other employees of the Group is to enable the Group to retain and motivate them to meet corporate goals and to support continuous development of the Group by linking their remuneration with performance as measured against corporate objectives achieved. The remuneration package is determined by reference to individual's duties and responsibilities, experiences, qualifications, prevailing market conditions and both corporate and individual performance. Subject to the Group's profitability, the Group may also grant discretionary bonus and share options of the Company to its employees as an incentive for their contribution to the Group.

During the year under review, the remuneration committee reviewed and evaluated the Group's remuneration policy and structure for the executive Directors, their performance against corporate objectives and results achieved and terms of their service contracts. In addition, the remuneration committee has reviewed the remuneration packages of executive Directors and senior management of the Group and recommended the Board for approval. No Director was involved in deciding his/her own remuneration during the year under review.

The details of the remuneration to the Directors for the year under review are set out in the Note 8 to the financial statements on pages 74 to 75 of this Annual Report.

In addition, the details of the remuneration for the year ended 31 March 2018 to the senior management of the Group fell within the following bands:

	Number of individuals
HK$1,000,000 or below	4
HK$1,000,001 – HK$1,500,000	2

BOARD COMMITTEES *(Continued)*

Nomination Committee

The primary duties of nomination committee are to review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy and on the selection of individuals nominated for directorships as well as appointment or re-appointment of the Directors. The nomination committee is also responsible for making succession planning for the Directors, in particular the Chairman and the chief executive of the Company.

In compliance with CG Code provision A.5.6, the Board has adopted a board diversity policy. The Company recognises and embraces the benefit of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. When determining the composition of the Board, board diversity will be considered from a number of factors, including but not limit to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

During the year under review, the nomination committee reviewed the present structure, size and composition of the Board as well as the board diversity policy adopted.

In addition, according to the articles of association of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

Mr. Wong Yui Lam and Mr. Chu To Ki will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. The nomination committee has reviewed the performance of Mr. Wong Yui Lam and Mr. Chu To Ki and recommended them to the Board for the re-election.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The Company appointed Ernst & Young as the Group's principal auditor. The acknowledgement of their responsibilities on the consolidated financial statements are set out in the section of "Independent Auditor's Report" on pages 41 to 44 of this Annual Report.

The fees paid or payable to Ernst & Young, and its affiliated firms, for services rendered are as follows:

	Year ended 31 March 2018 HK$'000	Year ended 31 March 2017 HK$'000
Audit services	**1,927**	1,871
Non-audit services	**236**	445
Total	**2,163**	2,316

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibilities for the preparation of the financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flows of the Group for that year and in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 March 2018, the Board has selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable, and have prepared the financial statements on a going concern basis. The Board is responsible for keeping proper accounting records which disclose the financial position of the Group with reasonable accuracy at any time.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibilities for the Group's risk management and internal control systems (the "**Systems**") and reviewing their effectiveness. Such Systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board has delegated its responsibilities to the Group's audit committee (the "**Audit Committee**") to oversee the Systems on an ongoing basis and to conduct a review of the effectiveness of the Systems at least annually.

Main features of the Systems

The Group maintains a structure with defined lines of responsibility and appropriate delegation of duty and authority. The major components of the control structure are summarised as follows:

(a) The Board

- To evaluate and determine the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives;
- To oversee management, with the assistance of the Audit Committee, in the design, implementation and monitoring of the Systems on an ongoing basis;
- To define management structure with clear lines of responsibility and delegation of authority;
- To ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions;
- To ensure that a review of effectiveness of the Systems has been conducted at least annually.

(b) The Audit Committee

- To oversee the Systems on an ongoing basis through the Group's internal audit functions;
- To conduct a review on the effectiveness of the Systems at least annually through the Group's internal audit functions and/or external professional parties and such review should cover all material controls, including financial, operational and compliance controls;
- To coordinate, review and approve audit scope and plans proposed by both the Group's internal and external auditors;
- To consider major investigation findings and evaluate significant issues on risk management and internal control matters and make recommendations to the Board;
- To develop, review and monitor the Group's policies and practices on corporate governance and compliance with relevant CG Code, legal and other regulatory requirements and make recommendations to the Board.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

Main features of the Systems *(Continued)*

(c) Management

- To identify and evaluate the risks that may significantly impact the Group's major operations;
- To design, implement and maintain appropriate and effective Systems;
- To monitor and manage risks in day-to-day operations through appropriate risk mitigation measures;
- To provide confirmation to the Board and the Audit Committee on the effectiveness of the Systems.

(d) Internal Audit Functions

- To formulate appropriate risk-based audit plans and undertake risk reviews;
- To carry out the analysis and independent appraisal of adequacy and effectiveness of the Systems;
- To systematically document and evaluate any issues may significantly affect the effectiveness of the Systems and/or operations of the Group;
- To report findings and results of the independent assessment and make recommendations to the Audit Committee and/or management to solve and improve system deficiencies or control weaknesses.

Risk Management Framework

The Group adopts a "top-down" approach in the Group's risk management framework which the Board, the Audit Committee and the management of the Group exercise strong oversight on the establishment and maintenance of the risk management policy. Besides, the Group performs independent appraisal through its internal audit functions and/or other external professional parties and undergoes a sound evaluation mechanism for continuous improvement.

The Group's risk management process comprises four core stages:

(a) Risk identification

The management (including but not limited to executive Directors, senior management and departmental heads) of the Group is responsible for assessing the market, competition environment and the daily operations to identify potential risks relating to its business processes that may materially affect the Group.

The details of the risk identified are then collected through the internal audit functions and recorded in a centralised risk register, which summarises the risks of the Group as a whole by five categories, namely reporting, operational, strategic, compliance, information technology ("**IT**") and cybersecurity risks. The risk register is submitted to the Audit Committee for review and independent evaluation. The identification process is performed from time to time to respond to the changing business environment and to determine whether adjustment is required for the risk identification result.

(b) Risk Assessment and Prioritisation

Risk assessment involves the evaluation of the associated likelihood of occurrence and impact of risk identified. The management is required to estimate likelihood of occurrence and assign the ratings on the impact and the vulnerability of the risks. Risks are prioritised and the design of risk mitigation plan is then based on the risk prioritisation. The assessment criteria is determined by the management and approved by the Board.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

Risk Management Framework *(Continued)*

(c) Risk Response

The following table summarises the types of the risk responses and the circumstances to be adopted:

Types of Risk Responses	Circumstances to be adopted
Acceptance	Risks are considered as immaterial and it is within the risk acceptable level.
Reduction	Risks are considered as material, and controls are available to reduce the risks to an acceptable level.
Transfer	Risks are considered as material, and the Group is not able to reduce the risks to an acceptable level solely. The portion of risks has to be transferred to or shared with other parties.
Avoidance	Risks are considered as material, and the risks cannot be reduced to an acceptable level by all means, or it requires unreasonably high cost to reduce the risks to an acceptable level.

(d) Risk Monitoring

The management is responsible to implement and monitor the risk mitigation plan, and review its effectiveness since implementation. Through the internal audit functions and effective communication with management, the Audit Committee evaluates the results on risk mitigation measures, ensures any outstanding items in the action plan have been followed up appropriately by relevant management and confirms whether any material changes in the risk assessment as well as the respective risk responses.

Review of the Systems

The Group carries out review and analysis, which cover all material controls on financial, operational and compliance aspects, from time to time through its internal audit functions to ensure that the Group's Systems are able to meet and deal with the dynamic and ever changing business environment. Any significant risks, system deficiencies and control weaknesses identified are timely reported to appropriate management and the Audit Committee for corrective actions.

In addition, the Group engaged an independent professional consultant during the year under review to perform risk assessment advisory and internal controls assessment. The assessment adopted a systematic and risk-based approach to review and appraise certain significant areas of the Systems, including core controls across revenue management, supplier and brand selection as well as on-going evaluation procedures, IT general controls and the Group's risk assessment and management practice. The Audit Committee has received and considered the Risk Assessment Advisory and Internal Controls Assessment Report prepared by the independent professional consultant for the year ended 31 March 2018. All findings and recommendations have been addressed.

During the year under review, the Audit Committee has also assisted the Board to review the resources, staff qualification and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions and were of the view that they were adequate.

The Board and the Audit Committee have reviewed and confirmed that the Systems were effective and adequate for the year ended 31 March 2018.

RISK MANAGEMENT AND INTERNAL CONTROL *(Continued)*

Inside Information Policy

The Group adopts an inside information policy to regulate the handling and dissemination of inside information, in particular for which may be potentially price sensitive. Procedures guidelines are in place to ensure inside information is kept strictly confidential. If the inside information has to be disseminated to public, it should be done in equal and timely manner in accordance with the applicable laws and regulations.

The Board identifies a list of designated officers of the Group, including all the Directors, senior management and certain employees, who substantially involve in the management of the Group's operations and may be in possession of inside information. These officers not only have to comply with specific procedures in handling inside information, but also need to make appropriate declaration to a designated Director or Company Secretary and comply with restrictions and blackout period in respect of dealing with securities of the Company. The list of the officers is reviewed and updated from time to time by the Board.

Whistleblowing Policy

The Group has also adopted a whistleblowing policy with a set of procedures in place whereby employees can report any actual or suspected occurrence of improper conduct involving the Group, and for such matters to be investigated and dealt with effectively in an appropriate and transparent manner. The Audit Committee has been designated to receive and consider any such cases reported with appropriate evidences, to obtain information and explanation from the management, to perform necessary investigations through the internal audit functions and/or external professional parties, and make recommendations to the Board to address issues and correct irregularities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the Directors of the Company. 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 under review.

COMMUNICATION WITH INVESTORS AND SHAREHOLDERS

To enhance transparency and effectively communicate with the investment community, the executive Directors maintain regular communications with various shareholders, potential investors, research analysts, fund managers and media.

The Board also welcomes the views of shareholders on matters affecting the Company and encourages them to attend shareholders' general meeting to communicate directly with the Board. External auditor and the chairman of each of the Board committee attend the general meeting and are available to answer shareholders enquiries. The important details and dates for shareholders during the year under review and in the coming financial year are set out in the section of "Information for Investors" on page 14 of this Annual Report.

In addition, annual/interim reports, announcements and press releases are posted on the website of the Stock Exchange at www.hkexnews.hk and/or the Company's official website at www.bauhaus.com.hk, which are constantly being updated in a timely manner and so contain additional information on the Group's business.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING (THE "EGM")

The following procedures are subject to the memorandum and articles of association of the Company (as amended from time to time), and the applicable legislation and regulation, in particular the Listing Rules (as amended from time to time).

- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

- Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Room 501, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong, for the attention of the Company Secretary.

- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding(s), the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned.

- The Requisition will be verified with the Company's branch share registrar and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the articles of association of the Company to all the registered shareholders of the Company. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM.

- If within 21 days of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, pursuant to the articles of association of the Company, shareholders who wish to move a resolution may requisition the Company to convene an EGM following the procedures set out above.

PROCEDURES FOR SENDING ENQUIRIES TO THE BOARD

Shareholders may send their enquiries and concerns in writing to the Board of the Company by addressing them to the principal place of business of the Company in Hong Kong at Room 501, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong by post for the attention of the Company Secretary or by email to ir@bauhaus.com.hk.

Upon receipt of the enquiries, the Company Secretary will forward:

1. communications relating to matters within the Board's purview to the executive Directors;

2. communications relating to matters within a Board committee's area of responsibility to the chairman of the appropriate committee of the Company; and

3. communications relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the appropriate management of the Group.

The directors present their report and the audited financial statements for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and management of the Group's operations. There were no significant changes in the nature of the Group's principal activities during the year. The principal activities of its principal subsidiaries are trading of garments and accessories, property holding and provision of management services.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2018 is set out under sections headed "Chairman's Statement" on page 1 and "Management Discussion and Analysis" on pages 21 to 24 of this Annual Report. An analysis of the Group's performance for the year ended 31 March 2018 by key financial performance indicators is set out under section headed "Financial Highlights" on pages 16 to 18 of this Annual Report. Those discussions form part of this Report of the Directors.

The Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group for the year ended 31 March 2018.

Environmental Policies and Performance

The Group recognises the importance of environmental protection and sustainable business operations. The Group is dedicated to complying with the relevant environmental laws, standards and policies prevailing in the countries or jurisdictions in which the Group principally operates. The Group also advocates a number of environment-friendly measures in its operations and workplaces including but not limited to paperless documentation, electronic communication, energy saving and materials recycling, etc.

Relationships with Employees, Customers and Suppliers

The Group considers that employees, customers and suppliers are key elements to the success of the Group's retail business. The Group provides competitive remuneration package to motivate and retain quality staff and is committed to providing a safe and healthy working environment for its staff. In particular, the Group regularly organises in-house training, team building and networking activities for retail sales staff to promote team spirit and to enhance skills.

As a leading retailer in the fashion industry, the Group not only sells products to customers, but also is committed to providing quality services and great shopping experience to them either in the Group's retail shops or via online platforms. The Group regularly interacts with customers and always welcomes to gain valuable market insights and feedback from end consumers.

On procurement side, the Group maintains a well-diversified sourcing base and has established long standing cooperation relationship with many suppliers. In addition, the Group has established certain anti-bribery policies, which are required to be observed by all parties, and regularly performs quality assurance review and on-site check to ensure the merchandises produced or supplied by vendors meet required standards and at reasonable market price.

Further elaboration on the Group's environmental policies and relationships with different stakeholders of the Group and the community is set out under section headed "Environmental, Social and Governance Report" on pages 4 to 13 of this Annual Report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2018 and the Group's financial position at that date are set out in the financial statements on pages 45 to 97 of this Annual Report.

The directors recommend the payment of a final dividend of HK7.5 cents per ordinary share in respect of the year to shareholders on the register of members on Tuesday, 11 September 2018. 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 Friday, 21 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The AGM is scheduled on Thursday, 30 August 2018. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 24 August 2018 to Thursday, 30 August 2018, 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, 23 August 2018.

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 Tuesday, 11 September 2018. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 7 September 2018 to Tuesday, 11 September 2018, 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 Thursday, 6 September 2018.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements is set out on page 98 of this Annual Report. This summary does not form part of the audited financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's issued share capital and share options during the year are set out in Note 25 and Note 26 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

DISTRIBUTABLE RESERVES

At 31 March 2018, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to HK$441,268,000 of which an aggregate of HK$27,554,000 has been proposed as final dividend for the year. In addition, the amount of HK$105,566,000 previously included in the Company's share premium account may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$839,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2018, sales to the Group's five largest customers accounted for less than 30% of the total sales of the Group for the year. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 28% and 61%, respectively, of the Group's total purchases for the year. None of the directors or any of their close associates or any shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) had beneficial interests in the Group's five largest customers or suppliers referred to above.

DIRECTORS

The directors of the Company during the year were:

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

In accordance with article 87 of the Company's articles of association, Mr. Wong Yui Lam and Mr. Chu To Ki will retire by rotation and, being eligible, will offer themselves for re-election at the AGM.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") from each of the independent non-executive directors and still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 19 to 20 of this Annual Report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has renewed his/her service contract with the Company for a term of three years commencing from 1 May 2017. The service contracts will continue thereafter until terminated by not less than six months' notice in writing served by either party on the other without payment of compensation. Under the service contracts, after each completed year of service, the remuneration payable to each of them may, subject to the discretion of the board of directors, be adjusted and they will each be entitled to a discretionary bonus provided that the total amount of bonuses payable to all the directors for such year shall not exceed HK$5 million. Each of the executive directors will be entitled to all the reasonable out-of-pocket expenses and medical expenses, housing benefits and reimbursements, the use of a car and the fuel and maintenance (including insurance) expenses in respect of the car used by him/her.

Apart from the foregoing, no director proposed for re-election at the AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' remuneration is recommended by the remuneration committee and is subject to approval by the board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2018, 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 of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

(a) Long positions in ordinary shares of the Company

	Number of shares held, capacity and nature of interest				
Name of director	**Directly beneficially owned**	**Through controlled corporation**	**Through a discretionary trust/as beneficiary or trustee of trust**	**Total number of ordinary shares held**	**Percentage of the Company's issued share capital**
Mr. Wong Yui Lam	1,700,000	29,900,000 (note)	180,000,000 (note)	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 (PTC) 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 share of HK$1	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 31 March 2018, 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 corporations 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.

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

At 31 March 2018, 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	11,836,336	21,187,664	–	33,024,000	8.99%

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 21,187,664 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 31 March 2018, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" on page 38, has 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.

SHARE OPTION SCHEME

The share option scheme of the Company was adopted on 27 August 2015 (the "**Scheme**"). The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in Note 26 to the financial statements.

No share option was granted since its adoption and during the year ended 31 March 2018. As at the date of this report, the total number of securities available for issue under the Scheme was 36,738,000, representing 10% of the issued shares of the Company.

Save as disclosed above, at no time during the year 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.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group during the year are set out in Note 33 to the financial statements. These related party transactions also constituted continuing connected transactions exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the applicable disclosure requirements of Chapter 14A of the Listing Rules.

DIRECTORS' INDEMNITY

According to the articles of association of the Company, the Directors for the time being of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in their respective offices. The Company has maintained appropriate director liability insurance in respect of legal action against the Directors during the year ended 31 March 2018 in respect of legal action against the Directors from their liabilities arising out of corporate activities.

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.

AUDITOR

Ernst & Young will retire and a resolution for their reappointment as auditor of the Company will be proposed at the AGM.

ON BEHALF OF THE BOARD

Wong Yui Lam
Chairman
Hong Kong, 29 June 2018

EY 安永

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To the shareholders of Bauhaus International (Holdings) Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Bauhaus International (Holdings) Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 45 to 97, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Inventory provision As at 31 March 2018, the Group had inventories of HK$318,879,000, which represented 32.8% of the Group's total assets. The Group is principally engaged in the design and retail of trendy fashion of apparels, bags and accessories. The fast changing fashion trend is highly correlated to seasonal factors and affects the amount of inventory provision to be provided. Inventory provision is made for obsolete, damaged, slow-moving, excess and other inventory items whose costs may not be fully recoverable. Such inventory provision is estimated by management through the application of judgement and use of subjective assumptions. The accounting policies and disclosures are included in Notes 2.4 and 3 to the consolidated financial statements.	Our audit procedures included the performance of substantive procedures over identifying and valuing obsolete, damaged, slow-moving, excess and other inventory items whose costs may not be fully recoverable; evaluating the methodologies, inputs and assumptions used by the Group in calculating the net realisable values. This included considering whether there was any indication of management bias such as manual overrides to the established methodology; and where the percentage used for provision is appropriate comparing to the historical consumption. Also, we assessed the net realisable value by reviewing sales record throughout the year as well as subsequent sales after the year end.
Property, plant and equipment impairment assessment At 31 March 2018, the Group had property, plant and equipment of HK$191,514,000 which represented approximately 19.7% of the Group's total assets. Impairment assessment was conducted for property, plant and equipment of loss-making retail shops, of which HK$90,000 was provided during the year. The management considers each retail shop as an individual cash-generating unit as each shop generates independent cash flows, which are largely independent of the cash flows generated by other assets. The Group determines impairment provision based on the cashflow forecasts of loss-making retail shops. The evaluation process is inherently subjective, and dependent on a number of estimates. The disclosure of property, plant and equipment is included in the Notes 2.4, 3 and 13 to the consolidated financial statements.	Our audit procedures in relation to management's impairment assessment included, amongst others, an evaluation of the reasonableness of the bases and assumptions adopted in the valuation for estimating the value in use of the cashflow forecasts of loss-making retail shops. We challenged the assumptions about sales growth rate, discount rate, the timing of the forecasted recovery of overall market and economic conditions and the respective effect to the Group's retail shops. Also, we checked, on a sample basis, the accuracy and relevance of the input data used.
Recognition of deferred tax assets As at the end of the reporting period, the Group had tax losses arising in Hong Kong of HK$20,374,000 that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also had tax losses arising in Mainland China of HK$32,701,000 that will expire in one to five years and losses arising in Taiwan of HK$45,108,000 that will expire in four to ten years for offsetting future taxable profits, respectively. The tax impact of unrecognised tax losses in Hong Kong, Mainland China and Taiwan at applicable tax rates at 31 March 2018 were approximately HK$367,000, HK$7,575,000 and HK$7,668,000, respectively. Significant management judgement is involved to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits generated by the Group. The accounting policies and disclosures are included in Notes 2.4, 3, 10 and 17 to the consolidated financial statements.	Our audit procedures included reviewing profit forecasts and the Group's latest tax strategies and strategic business plan to assess if sufficient taxable profits could be generated in the future to utilise the tax losses. We evaluated the amount of deferred tax assets recognised in light of future projected profitability of the relevant subsidiaries, by assessing the profit forecasts against past results and the expectations of future trading performance. We also discussed and challenged the profit forecasts and the business plan to determine if the tax losses can be utilised within the statutory limited timeframe in the countries in which the tax losses have arisen. In addition, we performed procedures on, among others, the completeness and accuracy of the tax losses of the relevant subsidiaries, the settlement terms in the various tax jurisdictions and the disclosures in the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Sai Yu.

Ernst & Young
Certified Public Accountants
Hong Kong, 29 June 2018

Year ended 31 March 2018

	Notes	**2018 HK$'000**	2017 HK$'000
REVENUE	5	**1,387,524**	1,305,880
Cost of sales		**(543,716)**	(488,005)
GROSS PROFIT		**843,808**	817,875
Other income and gains	5	**3,231**	10,913
Gain on deregistration of subsidiaries	27	**–**	8,111
Selling and distribution expenses		**(667,702)**	(645,646)
Administrative expenses		**(116,797)**	(105,643)
Other expenses		**(5,293)**	(11,274)
Finance costs	7	**(437)**	(226)
PROFIT BEFORE TAX	6	**56,810**	74,110
Income tax expense	10	**(16,207)**	(9,233)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**40,603**	64,877
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**8,242**	(8,210)
Reclassification adjustments for foreign operations deregistered	27	**–**	(8,111)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**8,242**	(16,321)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**48,845**	48,556
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		**HK11.1 cents**	HK17.7 cents

31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**191,514**	188,713
Investment property	14	**19,000**	17,700
Intangible assets	15	**549**	693
Available-for-sale investments	16	**2,970**	–
Rental, utility and other non-current deposits	20	**85,767**	79,891
Deferred tax assets	17	**19,205**	25,099
Total non-current assets		**319,005**	312,096
CURRENT ASSETS			
Inventories	18	**318,879**	266,759
Trade receivables	19	**61,908**	41,488
Prepayments, deposits and other receivables	20	**54,121**	28,050
Tax recoverable		**814**	6,314
Cash and bank balances	21	**217,878**	290,436
Total current assets		**653,600**	633,047
CURRENT LIABILITIES			
Trade payables	22	**35,461**	31,807
Other payables and accruals	23	**90,219**	86,460
Interest-bearing bank borrowing	24	**–**	5,922
Tax payable		**7,887**	5,259
Total current liabilities		**133,567**	129,448
NET CURRENT ASSETS		**520,033**	503,599
TOTAL ASSETS LESS CURRENT LIABILITIES		**839,038**	815,695
NON-CURRENT LIABILITIES			
Deferred tax liabilities	17	**7,150**	5,098
NET ASSETS		**831,888**	810,597
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	25	**36,738**	36,738
Reserves	28	**795,150**	773,859
TOTAL EQUITY		**831,888**	810,597

Wong Yui Lam
Chairman, CEO & Executive Director

Lee Yuk Ming
Executive Director

Year ended 31 March 2018

	Notes	Share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (Note 28)	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000 (Note 28)	Asset revaluation reserve# HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 April 2016		36,738	105,566	744	9,099	22,718	10,128	–	584,458	769,451
Final 2016 dividend declared		–	–	–	–	–	–	–	(22,043)	(22,043)
Profit for the year		–	–	–	–	–	–	–	64,877	64,877
Other comprehensive income/(loss) for the year:										
Exchange differences:										
Exchange differences on translation of foreign operations		–	–	–	–	(8,210)	–	–	–	(8,210)
Reclassification adjustments for foreign operations deregistered during the year	27	–	–	–	–	(8,111)	–	–	–	(8,111)
Total comprehensive income/(loss) for the year		–	–	–	–	(16,321)	–	–	64,877	48,556
Change in use from land and building to investment property carried at fair value	14	–	–	–	–	–	–	14,633	–	14,633
Transfer of reserve funds upon deregistration of a subsidiary	27	–	–	–	–	–	(2,947)	–	2,947	–
Transfer of share option reserve upon lapse of share options		–	–	–	(9,099)	–	–	–	9,099	–
At 31 March 2017		36,738	105,566*	744*	–*	6,397*	7,181*	14,633*	639,338*	810,597
At 1 April 2017		**36,738**	**105,566***	**744***	**–***	**6,397***	**7,181***	**14,633***	**639,338***	**810,597**
Final 2017 dividend declared	11	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(27,554)**	**(27,554)**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**40,603**	**40,603**
Other comprehensive income for the year:										
Exchange differences:										
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**8,242**	**–**	**–**	**–**	**8,242**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**8,242**	**–**	**–**	**40,603**	**48,845**
Transfer to reserve funds		**–**	**–**	**–**	**–**	**–**	**1,068**	**–**	**(1,068)**	**–**
At 31 March 2018		**36,738**	**105,566***	**744***	**–***	**14,639***	**8,249***	**14,633***	**651,319***	**831,888**

* These reserve accounts comprise the consolidated reserves of HK$795,150,000 (2017: HK$773,859,000) in the consolidated statement of financial position.

\# The asset revaluation reserve of HK$14,633,000 relates to an owner-occupied property of the Group transferred to investment property during the prior year.

Year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**56,810**	74,110
Adjustments for:			
Finance costs	7	**437**	226
Bank interest income	5	**(250)**	(323)
Depreciation	6	**41,782**	40,389
Loss/(gain) on disposal of items of property, plant and equipment, net	6	**2,995**	(3,179)
Gain on deregistration of subsidiaries	6	**–**	(8,111)
Write-off of deposits	6	**444**	3,506
Loss on disposal of trademarks	6	**5**	11
Amortisation of intangible assets	6	**170**	208
Provision for inventories, net	6	**2,596**	10,916
Provision for doubtful debts and write-off of bad debts	6	**2**	338
Fair value gain on an investment property	5, 6	**(1,300)**	(1,700)
Impairment of items of property, plant and equipment	6	**90**	7,333
		103,781	123,724
Increase in rental, utility and other non-current deposits		**(6,320)**	(5,165)
Increase in inventories		**(54,716)**	(9,565)
Decrease/(increase) in trade receivables		**(20,422)**	16,521
Decrease/(increase) in prepayments, deposits and other receivables		**(26,071)**	7,908
Increase in trade payables		**3,654**	7,562
Increase in other payables and accruals		**3,759**	10,394
Cash generated from operations		**3,665**	151,379
Interest received		**250**	323
Interest paid		**(437)**	(226)
Hong Kong profits tax refunded/(paid)		**4,139**	(5,425)
Overseas taxes paid		**(4,014)**	(3,358)
Net cash flows from operating activities		**3,603**	142,693
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	**(47,690)**	(42,123)
Proceeds from disposal of items of property, plant and equipment		**846**	8,392
Additions to intangible assets	15	**(31)**	(92)
Purchases of available-for-sale investments		**(2,970)**	–
Net cash flows used in investing activities		**(49,845)**	(33,823)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loan		**30,000**	–
Repayment of bank loans		**(35,922)**	(6,954)
Dividends paid		**(27,554)**	(22,043)
Net cash flows used in financing activities		**(33,476)**	(28,997)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(79,718)**	79,873
Cash and cash equivalents at beginning of year		**290,436**	219,249
Effect of foreign exchange rate changes, net		**7,160**	(8,686)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**217,878**	290,436
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**217,878**	290,436

1. CORPORATE AND GROUP 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 principally engaged in the design and retail 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 (PTC) Limited, which is incorporated in the British Virgin Islands.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Bauhaus Investments (BVI) Limited*	British Virgin Islands	Ordinary US$1,000	100	–	Investment holding
Bauhaus Holdings Limited	Hong Kong	Non-voting deferred HK$2 and ordinary HK$2	–	100	Trading of garments and accessories
Tough Jeans Limited	Hong Kong	Non-voting deferred HK$5 and ordinary HK$2	–	100	Trading of garments and accessories
Wide World Development Limited	Hong Kong	Ordinary HK$1	–	100	Trading of garments and accessories
Bauhaus (China) Limited	Hong Kong	Ordinary HK$1	–	100	Investment holding and trading of garments and accessories
Bauhaus Property Limited	Hong Kong	Ordinary HK$2	–	100	Property holding
Sky Top Investment (Group) Limited	Hong Kong	Ordinary HK$1	–	100	Property holding
Eighty Twenty Products Limited*	Hong Kong	Ordinary HK$1	–	100	Property holding
Bauhaus Management Limited	Hong Kong	Ordinary HK$1,000,000	–	100	Provision of management services
Bauhaus Retail (Macau) Limited*	Macau	Ordinary MOP25,000	–	100	Trading of garments and accessories

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Supermax Retail (Macau) Limited*	Macau	Ordinary MOP25,000	–	100	Trading of garments and accessories
Tough Jeans Macao Commercial Offshore Limited	Macau	Ordinary MOP100,000	–	100	Trading of garments and accessories
包豪氏企業有限公司	Taiwan	NT$500,000	–	100	Trading of garments and accessories
強韌貿易(深圳)有限公司*#	PRC/ Mainland China	HK$12,000,000	–	100	Trading of garments and accessories
強韌貿易(上海)有限公司*#	PRC/ Mainland China	HK$8,000,000	–	100	Trading of garments and accessories
包浩斯貿易(北京)有限公司*#	PRC/ Mainland China	HK$2,000,000	–	100	Trading of garments and accessories
包浩斯貿易(廣州)有限公司*#	PRC/ Mainland China	HK$2,000,000	–	100	Trading of garments and accessories
包浩斯貿易(珠海)有限公司*#	PRC/ Mainland China	HK$2,000,000	–	100	Trading of garments and accessories

* The statutory financial statements of these subsidiaries were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

These subsidiaries are registered as wholly-foreign-owned enterprises under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

In the prior year, a wholly-owned subsidiary registered in the PRC namely 汕頭市包浩斯服飾製品有限公司 and a wholly-owned subsidiary incorporated in the United Kingdom namely Tough Jeans (UK) Limited were deregistered. A gain on deregistration of subsidiaries of HK$8,111,000 was credited to profit or loss upon deregistration during the year ended 31 March 2017.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, 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 2018. 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.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in Note 34 to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 19	*Plan Amendments, Curtailment or Settlement*[2]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

1 Effective for the Group for annual periods beginning on or after 1 April 2018
2 Effective for the Group for annual periods beginning on or after 1 April 2019
3 Effective for the Group for annual periods beginning on or after 1 April 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below. Of those standards, HKFRS 9 and HKFRS 15 will be applicable for the Group's financial year ending 31 March 2019 and are expected to have no significant impact upon adoption. Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group, including expectations of the application of transitional provision options and policy choices. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards and the transitional provisions and policy options finally adopted.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 April 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 April 2018. During the year, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of its financial assets currently classified as available-for-sale investments. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The management is in the process of making an assessment of the impact upon application but is not yet in a provision to state the effect on the Group's results of operations and financial position.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group has assessed the impact of the adoption of HKFRS 15 and does not expect the adoption to have significant impact to the Group's results of operations and financial position.

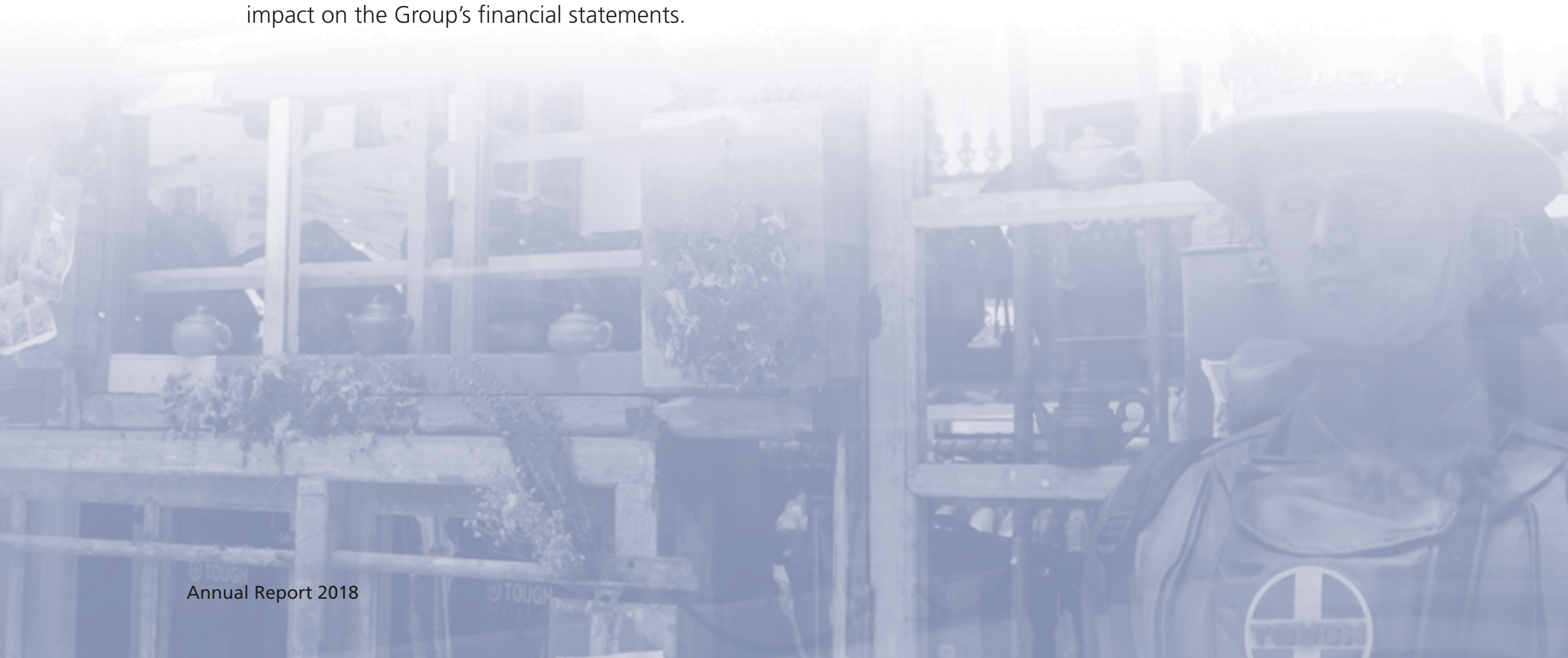
HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 April 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in Note 31 to the financial statements, at 31 March 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$456,040,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new right-of-use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 April 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its investment property at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;
(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
(iii) the entity and the Group are joint ventures of the same third party;
(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
(vi) the entity is controlled or jointly controlled by a person identified in (a);
(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2%
Leasehold improvements	2 to 5 years
Computer equipment	20% to 30%
Furniture, fixtures and equipment	18% to 25%
Motor vehicles	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as an asset revaluation reserve. On disposal of such property, the relevant portion of the asset revaluation reserve realised in respect of the change in use is transferred to retained profits as a movement in reserves.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademarks with definite useful lives are stated at cost less any impairment losses and are amortised on the straightline basis over their estimated useful lives of 5 to 15 years.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gain in profit or loss. The loss arising from impairment is recognised in profit or loss in finance cost for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred).

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and an interest-bearing bank borrowing.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Loans and borrowing

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance cost in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance cost in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a short period, when appropriate to the net carrying amount of the financial asset; and

(c) rental income on a time proportion basis over the lease terms.

Share-based payments

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes-Merton pricing model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes and other retirement benefits

The Group's subsidiaries incorporated in Hong Kong operate defined contribution Mandatory Provident Fund retirement benefit schemes (the "**MPF Schemes**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Schemes. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Schemes. The assets of the MPF Schemes are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Schemes.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

According to the existing relevant regulations in Taiwan, a subsidiary of the Group incorporated in Taiwan is required to participate in the retirement plan or scheme operated by the government of Taiwan (the "**Taiwan Scheme**") for the provision of pension benefits to its employees. This Taiwan subsidiary is required to contribute a certain percentage of its payroll costs to the Taiwan Scheme to fund the benefits. Contributions under the Taiwan Scheme are charged to profit or loss as they become payable in accordance with the rules of the Taiwan Scheme, and the outstanding payment of the contribution is reflected on the statement of financial position.

The subsidiaries of the Group incorporated in Macau make monthly contributions to the social security fund managed by the relevant authority of the local government, which undertakes the retirement obligations of the Group's employees. The Group has no obligation for payment of retirement benefits beyond the monthly contributions. The contribution payable is charged as an expense to profit or loss as and when incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on retranslation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of useful lives of items of property, plant and equipment

Management estimates the useful lives of items of property, plant and equipment at acquisition based on the period over which the items of property, plant and equipment are expected to be available for use to the Group. The useful lives of items of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of the reporting period. The carrying value of property, plant and equipment at 31 March 2018 was HK$191,514,000 (2017: HK$188,713,000). Further details are included in Note 13 to the financial statements.

Impairment test of items of property, plant and equipment

Management estimates the recoverable amount of items of property, plant and equipment when an indication of impairment exists. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test. The carrying value of property, plant and equipment at 31 March 2018 was HK$191,514,000 (2017: HK$188,713,000). Further details are included in Note 13 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Estimation of fair value of investment property

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; and

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

The carrying amount of investment property at 31 March 2018 was HK$19,000,000 (2017: HK$17,700,000). Further details, including the key assumptions used for fair value measurement, are given in Note 14 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 March 2018 was HK$3,595,000 (2017: HK$12,709,000). The amount of unrecognised tax losses at 31 March 2018 was HK$77,632,000 (2017: HK$72,900,000). Further details are included in Note 17 to the financial statements.

Provision for inventories

Management reviews the ageing analysis of the Group's inventories at the end of each reporting period, and makes provision for obsolete items when events or change in circumstances show that the balance of inventories may not be realisable or are no longer suitable for production use. The carrying value of inventories at 31 March 2018 was HK$318,879,000 (2017: HK$266,759,000). Further details of which are included in Note 18 to the financial statements.

Impairment of trade receivables

The Group maintains an allowance for estimated losses arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers is to deteriorate so that the actual impairment losses might be higher than expected, the Group will be required to revise the basis of making the allowance, and its future results would be affected. The carrying value of trade receivables at 31 March 2018 was HK$61,908,000 (2017: HK$41,488,000). Further details are included in Note 19 to 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 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 before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, 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, available-for-sale investments, 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, available-for-sale investments, deferred tax assets and other unallocated corporate non-current assets as these assets are managed on a group basis.

Intersegment sales 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 2018					
Segment revenue:					
Sales to external customers	912,743	339,532	135,075	174	1,387,524
Intersegment sales	7,991	160,270	–	–	168,261
	920,734	499,802	135,075	174	1,555,785
Reconciliation:					
Elimination of intersegment sales					(168,261)
Revenue					1,387,524
Segment results:	118,914	(3,108)	(2,305)	(50)	113,451
Reconciliation:					
Interest income					250
Finance costs					(437)
Fair value gain on an investment property					1,300
Unallocated expenses, net					(57,754)
Profit before tax					56,810
Segment assets:	349,969	219,350	131,761	266	701,346
Reconciliation:					
Investment property					19,000
Available-for-sale investments					2,970
Deferred tax assets					19,205
Tax recoverable					814
Unallocated assets					229,270
Total assets					972,605
Segment liabilities:	91,176	9,818	9,667	1	110,662
Reconciliation:					
Deferred tax liabilities					7,150
Tax payable					7,887
Unallocated liabilities					15,018
Total liabilities					140,717
Other segment information:					
Capital expenditure*	19,323	18,346	6,599	–	44,268
Unallocated capital expenditure*					3,453
					47,721
Depreciation	19,933	12,569	3,433	–	35,935
Amortisation of intangible assets	41	37	36	56	170
Unallocated depreciation					5,847
					41,952
Loss on disposal of items of property, plant and equipment, net	2,365	671	108	–	3,144
Unallocated gain on disposal of items of property, plant and equipment, net					(149)
					2,995
Write-off of deposits	444	–	–	–	444
Provision for doubtful debts and write-off of bad debts	–	–	2	–	2
Impairment of items of property, plant and equipment	90	–	–	–	90

* *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 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 costs					(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 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)*

Geographical information

Non-current assets

	2018 HK$'000	2017 HK$'000
Hong Kong and Macau	**109,651**	110,066
Taiwan	**21,168**	15,728
Mainland China	**15,500**	9,432
Elsewhere	**266**	324
	146,585	135,550

Information about major customers

Since there was no customer to which the Group's sales 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:

	2018 HK$'000	2017 HK$'000
Revenue		
Sale of garment products and accessories	**1,387,524**	1,305,880
Other income		
Bank interest income	**250**	323
Rental income	**361**	503
Forfeiture of franchise deposits	**–**	791
Others	**1,320**	867
	1,931	2,484
Gains		
Foreign exchange differences, net	**–**	3,550
Fair value gain on investment property (Note 14)	**1,300**	1,700
Gain on disposal of items of property, plant and equipment, net	**–**	3,179
	1,300	8,429
	3,231	10,913

6. PROFIT BEFORE TAX

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

	Notes	**2018** **HK$'000**	2017 HK$'000
Cost of inventories sold*		**541,120**	477,089
Depreciation	13	**41,782**	40,389
Provision for inventories, net*		**2,596**	10,916
Minimum lease payments under operating leases		**225,575**	238,892
Contingent rents under operating leases		**81,160**	79,948
Auditor's remuneration		**2,240**	2,161
Employee benefit expenses (including directors' remuneration (Note 8)):			
Wages, salaries and other benefits		**224,650**	207,458
Pension scheme contributions**		**12,710**	10,795
		237,360	218,253
Loss/(gain) on disposal of items of property, plant and equipment, net		**2,995**	(3,179)
Gain on deregistration of subsidiaries	27	**–**	(8,111)
Amortisation of intangible assets	15	**170**	208
Write-off of deposits		**444**	3,506
Loss on disposal of trademarks		**5**	11
Provision for doubtful debts and write-off of bad debts		**2**	338
Fair value gain on an investment property	14	**(1,300)**	(1,700)
Impairment of items of property, plant and equipment	13	**90**	7,333
Foreign exchange losses/(gains), net		**1,428**	(3,550)
Direct operating expenses (including repairs and maintenance) arising from a rental-earning investment property		**61**	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 (2017: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 **HK$'000**	2017 HK$'000
Interest on bank loans	**437**	226

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

	2018 **HK$'000**	2017 HK$'000
Fees	**453**	528
Other emoluments:		
Salaries, allowances and benefits in kind	**4,083**	4,086
Performance-related bonuses*	**1,389**	1,063
Pension scheme contributions	**54**	54
	5,526	5,203
	5,979	5,731

* Certain executive directors of the Company are entitled to bonus payments which are determined based on the operating results of the Group.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2018 **HK$'000**	2017 HK$'000
Mr. Chu To Ki	**151**	151
Mr. Mak Wing Kit	**151**	151
Mr. Mak Siu Yan	**151**	112
Dr. Wong Yun Kuen	**–**	114
	453	528

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance-related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2018					
Mr. Wong Yui Lam	**–**	**1,430**	**330**	**18**	**1,778**
Madam Lee Yuk Ming	**–**	**1,405**	**867**	**18**	**2,290**
Mr. Yeung Yat Hang	**–**	**1,248**	**192**	**18**	**1,458**
	–	**4,083**	**1,389**	**54**	**5,526**
2017					
Mr. Wong Yui Lam	–	1,430	330	18	1,778
Madam Lee Yuk Ming	–	1,408	541	18	1,967
Mr. Yeung Yat Hang	–	1,248	192	18	1,458
	–	4,086	1,063	54	5,203

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2017: three) executive directors, details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining two (2017: two) non-director, highest paid employees for the year are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and benefits in kind	**1,860**	1,785
Performance-related bonuses	**875**	704
Pension scheme contributions	**36**	36
	2,771	2,525

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2018	2017
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**1**	–
	2	2

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

The PRC corporate income tax ("**CIT**") is applicable to subsidiaries located in Mainland China. All of these subsidiaries were subject to the applicable CIT rate of 25% (2017: 25%) during the year ended 31 March 2018.

For the subsidiaries in Macau, one of them (2017: 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% (2017: 17%) during the year ended 31 March 2018.

	2018 HK$'000	2017 HK$'000
Current tax – Hong Kong		
Provision for the year	**3,339**	2,177
Overprovision in prior years	**(211)**	(103)
Current tax – PRC		
Provision for the year	**1,575**	821
Overprovision in prior years	**–**	(280)
Current tax – Elsewhere		
Provision for the year	**3,418**	3,719
Overprovision in prior years	**(118)**	(28)
Deferred tax charge (Note 17)	**8,204**	2,927
Total tax charge for the year	**16,207**	9,233

10. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax using the applicable rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

2018

	HK$'000	**%**
Profit before tax	**56,810**	
Tax at the statutory tax rate	**8,188**	**14.4**
Lower tax rate for specific provinces or enacted by local authority	**(126)**	**(0.2)**
Adjustments in respect of current tax of previous periods	**(329)**	**(0.6)**
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**600**	**1.1**
Income not subject to tax	**(735)**	**(1.3)**
Expenses not deductible for tax	**990**	**1.7**
Temporary differences not recognised	**1,317**	**2.3**
Tax losses not recognised	**6,302**	**11.1**
	16,207	**28.5**

2017

	HK$'000	%
Profit before tax	74,110	
Tax at the statutory tax rate	12,656	17.1
Lower tax rate for specific provinces or enacted by local authority	(126)	(0.2)
Adjustments in respect of current tax of previous periods	(412)	(0.5)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	(300)	(0.4)
Income not subject to tax	(3,133)	(4.2)
Expenses not deductible for tax	1,184	1.6
Temporary differences not recognised	904	1.2
Tax losses utilised	(1,540)	(2.1)
	9,233	12.5

11. DIVIDEND

	2018 HK$'000	2017 HK$'000
Proposed final – HK7.5 cents (2017: HK7.5 cents) per ordinary share	**27,554**	27,554

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

12. 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$40,603,000 (2017: HK$64,877,000) and the weighted average number of ordinary shares of 367,380,000 (2017: 367,380,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2018 and 2017.

The calculation of the basic earnings per share is based on:

	2018 HK$'000	2017 HK$'000
Earnings		
Profit attributable to equity holders of the parent, used in the basic earnings per share calculation	**40,603**	64,877

	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**	367,380,000

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Computer equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2018						
At 31 March 2017 and 1 April 2017:						
Cost	136,941	175,309	22,012	40,878	4,226	379,366
Accumulated depreciation and impairment	(14,382)	(132,964)	(13,241)	(26,441)	(3,625)	(190,653)
Net carrying amount	122,559	42,345	8,771	14,437	601	188,713
At 1 April 2017, net of accumulated depreciation and impairment	122,559	42,345	8,771	14,437	601	188,713
Additions	–	35,609	6,870	3,287	1,924	47,690
Depreciation provided during the year	(2,739)	(30,525)	(3,554)	(4,509)	(455)	(41,782)
Disposals	–	(1,963)	(41)	(1,322)	(515)	(3,841)
Impairment	–	(90)	–	–	–	(90)
Exchange realignment	–	701	21	102	–	824
At 31 March 2018, net of accumulated depreciation and impairment	119,820	46,077	12,067	11,995	1,555	191,514
At 31 March 2018:						
Cost	136,941	161,225	29,111	40,115	4,539	371,931
Accumulated depreciation and impairment	(17,121)	(115,148)	(17,044)	(28,120)	(2,984)	(180,417)
Net carrying amount	119,820	46,077	12,067	11,995	1,555	191,514

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Land and buildings HK$'000	Leasehold improvements HK$'000	Computer equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2017						
At 1 April 2016:						
Cost	142,363	164,613	17,943	41,389	4,226	370,534
Accumulated depreciation and impairment	(12,710)	(116,895)	(13,101)	(24,451)	(2,961)	(170,118)
Net carrying amount	129,653	47,718	4,842	16,938	1,265	200,416
At 1 April 2016, net of accumulated depreciation and impairment	129,653	47,718	4,842	16,938	1,265	200,416
Additions	–	31,358	6,630	4,135	–	42,123
Depreciation provided during the year	(2,811)	(29,095)	(2,453)	(5,366)	(664)	(40,389)
Transfer to investment property (Note 14)	(1,367)	–	–	–	–	(1,367)
Disposals	(2,916)	(929)	(20)	(1,348)	–	(5,213)
Impairment	–	(7,120)	(213)	–	–	(7,333)
Exchange realignment	–	413	(15)	78	–	476
At 31 March 2017, net of accumulated depreciation and impairment	122,559	42,345	8,771	14,437	601	188,713
At 31 March 2017:						
Cost	136,941	175,309	22,012	40,878	4,226	379,366
Accumulated depreciation and impairment	(14,382)	(132,964)	(13,241)	(26,441)	(3,625)	(190,653)
Net carrying amount	122,559	42,345	8,771	14,437	601	188,713

At 31 March 2018, included in the Group's land and buildings held in Hong Kong were land and buildings with an aggregate net book value of approximately HK$112,196,000 (2017: HK$114,733,000) which were pledged to secure general banking facilities granted to the Group (Note 24(a)).

The directors considered that certain property, plant and equipment of the Group were subject to impairment loss because cash-generating units of these property, plant and equipment were non-performing and suffered from substantial losses for the year. An impairment provision of HK$90,000 (2017: HK$7,333,000) was recognised in profit or loss during the year ended 31 March 2018. The directors estimated the recoverable amounts of the respective cash-generating units based on value in use calculations which were evaluated by senior management using cash flow projections based on financial budgets covering the remaining useful lives of the respective property, plant and equipment.

14. INVESTMENT PROPERTY

	2018	2017
	HK$'000	HK$'000
Carrying amount at beginning of year	**17,700**	–
Transfer from an owner-occupied property (note)	**–**	16,000
Gain from a fair value adjustment	**1,300**	1,700
Carrying amount at end of year	**19,000**	17,700

Note: In the prior year, an owner-occupied property of the Group with a net carrying value of HK$1,367,000 (Note 13) was transferred to investment property due to the change in use of the property for rental purpose. The property was revalued at HK$16,000,000 by RHL Appraisal Limited, an independent professionally qualified valuer, at the date of change of use and the revaluation gain of HK$14,633,000 was recorded in the asset revaluation reserve.

The Group's investment property is an industrial property in Hong Kong. The directors of the Company have determined the class of asset (i.e., industrial) based on the nature, characteristics and risks of the property. The Group's investment property was revalued on 31 March 2018 based on a valuation performed by RHL Appraisal Limited, an independent professionally qualified valuer, at HK$19,000,000 (2017: HK$17,700,000), resulting in a fair value gain of HK$1,300,000 (2017: HK$1,700,000) which was recorded in the profit or loss for the year. Each year, the Group's directors decide to appoint which external valuer to be responsible for the external valuation of the Group's property. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's directors have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting purpose.

The investment property was leased to a third party under operating lease, further summary details of which are included in Note 31 to the financial statements.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment property:

	Fair value measurement as at 31 March 2018 using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Industrial property	**–**	**–**	**19,000**	**19,000**

	Fair value measurement as at 31 March 2017 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Industrial property	–	–	17,700	17,700

14. INVESTMENT PROPERTY *(Continued)*

Fair value hierarchy *(Continued)*

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

The fair value of the investment property was determined using the comparison approach based on market comparables of similar properties and with adjustments made on factors such as location, size, age, condition and aspects of the properties. The weighted average range of the adjusted price per square feet is HK$5,300 to HK$6,400 (2017: HK$5,250 to HK$5,440).

A significant increase/(decrease) in the adjusted price per square feet would result in a significant increase/(decrease) in the fair value of the investment property.

15. INTANGIBLE ASSETS

Trademarks

	2018 HK$'000	2017 HK$'000
At beginning of year:		
Cost	**3,778**	3,860
Accumulated amortisation and impairment	**(3,085)**	(3,040)
Net carrying amount	**693**	820
Cost at beginning of year, net of accumulated amortisation and impairment	**693**	820
Additions	**31**	92
Amortisation provided during the year (Note 6)	**(170)**	(208)
Disposal of trademarks (Note 6)	**(5)**	(11)
At end of year	**549**	693
At end of year:		
Cost	**3,652**	3,778
Accumulated amortisation and impairment	**(3,103)**	(3,085)
Net carrying amount	**549**	693

16. AVAILABLE-FOR-SALE INVESTMENTS

	2018 HK$'000	2017 HK$'000
Unlisted equity investments, at cost	**2,970**	–

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 31 March 2018, the above unlisted equity investments with a carrying amount of HK$2,970,000 (2017: Nil) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

17. DEFERRED TAX

Deferred tax assets

	Decelerated tax depreciation HK$'000	Losses available for offsetting against future taxable profits HK$'000	Provision for unrealised profit on inventories HK$'000	Other provisions HK$'000	Total HK$'000
At 1 April 2016	4,101	13,874	6,600	3,413	27,988
Deferred tax credited/(charged) to profit or loss during the year*	(31)	(1,885)	(1,300)	113	(3,103)
Exchange realignment	–	–	–	214	214
At 31 March 2017 and 1 April 2017	**4,070**	**11,989**	**5,300**	**3,740**	**25,099**
Deferred tax credited/(charged) to profit or loss during the year*	**345**	**(8,964)**	**1,405**	**1,104**	**(6,110)**
Exchange realignment	**–**	**–**	**–**	**216**	**216**
At 31 March 2018	**4,415**	**3,025**	**6,705**	**5,060**	**19,205**

Deferred tax liabilities

	Accelerated tax depreciation HK$'000	Losses available for offsetting against future taxable profits HK$'000	Provision for unrealised profit on inventories HK$'000	Withholding taxes HK$'000	Other provisions HK$'000	Total HK$'000
At 1 April 2016	1,060	(960)	(715)	6,000	(121)	5,264
Deferred tax charged/(credited) to profit or loss during the year*	300	240	(270)	(300)	(146)	(176)
Exchange realignment	–	–	–	–	10	10
At 31 March 2017 and 1 April 2017	**1,360**	**(720)**	**(985)**	**5,700**	**(257)**	**5,098**
Deferred tax charged to profit or loss during the year*	**60**	**150**	**985**	**600**	**299**	**2,094**
Exchange realignment	**–**	**–**	**–**	**–**	**(42)**	**(42)**
At 31 March 2018	**1,420**	**(570)**	**–**	**6,300**	**–**	**7,150**

* The total deferred tax charged to profit or loss during the year amounted to HK$8,204,000 (2017: HK$2,927,000) (Note 10).

17. DEFERRED TAX *(Continued)*

At the end of the reporting period, the Group had tax losses arising in Hong Kong of HK$20,374,000 (2017: HK$46,694,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also had tax losses arising in Mainland China of HK$32,701,000 (2017: HK$58,676,000) that will expire in one to five years and losses arising in Taiwan of HK$45,108,000 (2017: HK$33,427,000) that will expire in four to ten years for offsetting against future taxable profits, respectively. Deferred tax assets have been recognised for tax losses arising in Hong Kong and Mainland China of approximately HK$18,151,000 (2017: HK$44,297,000) and HK$2,400,000 (2017: HK$21,600,000), respectively. Deferred tax assets have not been recognised in respect of the remaining tax losses, as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings generated after 31 December 2007.

A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2018, deferred tax liabilities have not been provided in respect of certain of the unremitted retained earnings of the Group's subsidiaries after 1 January 2008 amounting to HK$75,236,000 (2017: HK$66,919,000) as the payment of dividend is not considered probable.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

18. INVENTORIES

	2018 **HK$'000**	2017 HK$'000
Raw materials	**1,894**	861
Finished goods	**316,985**	265,898
	318,879	266,759

19. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**61,929**	41,825
Impairment	**(21)**	(337)
	61,908	41,488

Sales (both online and offline) are made on cash terms or with 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 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.

The ageing 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:

	2018 HK$'000	2017 HK$'000
Within 90 days	**61,794**	41,210
91 to 180 days	**7**	276
181 to 365 days	**–**	2
Over 365 days	**107**	–
	61,908	41,488

The movements in provision for impairment of trade receivables are as follows:

	2018 HK$'000	2017 HK$'000
At the beginning of year	**337**	–
Amount written off as uncollectable	**(318)**	–
Provision for doubtful debts	**2**	337
At the end of year	**21**	337

In the prior year, the Group directly wrote off a bad debt of HK$1,000.

19. TRADE RECEIVABLES *(Continued)*

The ageing analysis of the trade receivables that are not considered to be impaired is as follows:

	2018 **HK$'000**	2017 HK$'000
Neither past due nor impaired	**61,794**	40,697
Less than 3 months past due	**7**	790
3 to less than 12 months past due	**107**	1
	61,908	41,488

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Prepayments	**38,481**	14,566
Deposits and other receivables	**101,407**	93,375
	139,888	107,941
Portion classified as non-current assets	**(85,767)**	(79,891)
	54,121	28,050

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

21. CASH AND BANK BALANCES

	2018 **HK$'000**	2017 HK$'000
Cash and bank balances	**217,878**	290,436

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to approximately HK$49,810,000 (2017: HK$75,368,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES

The ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018 **HK$'000**	2017 HK$'000
Within 90 days	**33,239**	31,418
91 to 180 days	**1,984**	345
181 to 365 days	**207**	44
Over 365 days	**31**	–
	35,461	31,807

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

23. OTHER PAYABLES AND ACCRUALS

	2018 **HK$'000**	2017 HK$'000
Other payables	**53,326**	47,247
Accruals	**36,893**	39,213
	90,219	86,460

Other payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

24. INTEREST-BEARING BANK BORROWING

	2018			2017		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current – secured						
Bank loan repayable on demand	–	–	–	2-3	2018	5,922
Analysed into bank loan repayable:						
Within one year or on demand			–			5,922

Notes:

(a) The Group's general banking facilities are secured by the Group's land and buildings situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of approximately HK$112,196,000 (2017: HK$114,733,000) (Note 13).

(b) In the prior year, the loan was in Hong Kong dollars.

25. SHARE CAPITAL

Shares

	Company	
	2018 HK$'000	2017 HK$'000
Issued and fully paid:		
367,380,000 ordinary shares of HK$0.1 each	**36,738**	36,738

Details of the Company's share option schemes and the share options issued under the schemes are included in Note 26 to the financial statements.

26. SHARE OPTION SCHEMES

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.

The number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the total number of shares of the Company in issue as at the date of passing of the shareholders' resolution for adoption of the Scheme. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share options schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

The major terms of the Scheme are set out below:

The acceptance of an offer of the grant of the respective share options must be made within 28 days from the date of offer with a non-refundable payment of HK$1.00 from each grantee. An option may be exercised at any time during a period to be determined by the board of directors of the Company, which shall not in any event exceed ten years from the date of grant. The scheme does not specify any minimum holding period but the board of directors of the Company has the authority to determine the minimum period for which a share option in respect of some or all of the shares forming the subject of the share options must be held before it can be exercised.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. Where any further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of shares in issue, such further grant must be separately approved by the shareholders in general meeting with such participant and his/her close associates (or his/her associates if the participant is a connected person) abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the proposed grantee). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the nominal value of a share; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

No share option was granted under the Scheme since its adoption and during the year ended 31 March 2018. Hence, no share option expense was recognised by the Group during the year ended 31 March 2018.

27. DEREGISTRATION OF SUBSIDIARIES

In the prior year, the Group deregistered two subsidiaries namely 汕頭市包浩斯服飾製品有限公司 and Tough Jeans (UK) Limited. The net assets of the deregistered subsidiaries at their respective dates of deregistration were as follows:

	2017 HK$'000
Net assets disposed of	–
Exchange fluctuation reserve released	8,111
Gain on deregistration of subsidiaries	8,111

Reserve funds of HK$2,947,000 brought forward from prior years were transferred back to retained profits upon deregistration of a subsidiary.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 47 of this Annual Report.

The Group's contributed surplus as at 31 March 2018 and 2017 comprised (i) the waiver of an amount due to a company owned by the Group's controlling shareholder; and (ii) a transfer from the share premium account; (iii) a special interim dividend in the prior years after adjusting for the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the shares of the Company issued in exchange therefor.

In accordance with the relevant regulations applicable to wholly-foreign-owned enterprises in Mainland China and entities incorporated in Macau, a portion of the profits of the Company's subsidiaries which are registered in the PRC and Macau has been transferred to the reserve funds which are restricted to use.

29. CONTINGENT LIABILITIES

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

	2018 HK$'000	2017 HK$'000
Bank guarantees given in lieu of utility and property rental deposits	**4,058**	5,182

During the current and prior years, 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. As at the end of the reporting period, 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.

30. PLEDGE OF ASSETS

Details of the Group's bank loan which was secured by the assets of the Group are included in Note 24 to the financial statements.

31. OPERATING LEASE ARRANGEMENTS

As lessor

In the prior year, the Group, as lessor, leased certain of its office under an operating lease arrangement with a lease term of two years. The Group had total future minimum lease payments receivable under non-cancellable operating leases falling due as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**–**	618
In the second year	**–**	103
	–	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 31 March 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**211,751**	194,746
In the second to fifth years, inclusive	**242,194**	227,962
Over five years	**2,095**	983
	456,040	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.

32. COMMITMENTS

The Group had no material capital commitment contracted but not provided for as at 31 March 2018 (2017: Nil).

33. RELATED PARTY TRANSACTIONS

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

	Note	**2018** **HK$'000**	2017 HK$'000
Computer system maintenance charges	(i)	**151**	89

Note:

(i) The computer system maintenance charges paid to related companies were determined between the parties with reference to the actual staff costs incurred.

(b) All compensation of key management personnel of the Group is included in the directors' remuneration and the five highest paid employees as set out respectively in Notes 8 and 9 to the financial statements.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank loan HK$'000
At 1 April 2017	5,922
New bank loan	30,000
Repayment of bank loans	(35,922)
At 31 March 2018	–

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Loans and receivables 2018 HK$'000	Available-for-sale financial assets 2018 HK$'000	Total 2018 HK$'000	Loans and receivables 2017 HK$'000
Available-for-sale investments	–	2,970	2,970	–
Trade receivables	61,908	–	61,908	41,488
Financial assets included in prepayments, deposits and other receivables	93,275	–	93,275	91,790
Cash and bank balances	217,878	–	217,878	290,436
	373,061	2,970	376,031	423,714

Financial liabilities

	Financial liabilities at amortised cost 2018 HK$'000	2017 HK$'000
Trade payables	35,461	31,807
Financial liabilities included in other payables and accruals (Note 23)	53,326	47,247
Interest-bearing bank borrowing	–	5,922
	88,787	84,976

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of trade receivables, financial assets included in prepayments, deposits and other receivables, cash and bank balances, trade payables, other payables and interest-bearing bank borrowing approximate to their carrying amounts largely due to the short term maturities of these instruments.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash at banks. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments and other financial assets and liabilities are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not have any written financial risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its financial risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives or other financial instruments for hedging purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates related primarily to the Group's bank borrowing with a floating interest rate in the prior year. The Group has no specific policy to deal with cash flow interest rate risk. However, management monitors the exposure and will consider hedging the interest rate risk exposure for significant cash flow risks should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowing) and the Group's and the Company's equity.

	Increase/ (decrease) %	**Increase/ (decrease) in profit before tax** HK$'000	**Increase/ (decrease) in equity*** HK$'000
2018			
Hong Kong dollar	**1**	**–**	**–**
Hong Kong dollar	**(1)**	**–**	**–**
2017			
Hong Kong dollar	1	(59)	–
Hong Kong dollar	(1)	59	–

* Excluding retained profits

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. As transactions denominated in currencies other than the functional currency are well-diversified, the exposure to foreign currency risk is not considered significant.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2018			
If Hong Kong dollar weakens against New Taiwan Dollar ("**NT$**")	**(1)**	**2,341**	**–**
If Hong Kong dollar strengthens against NT$	**1**	**(2,341)**	**–**
2017			
If Hong Kong dollar weakens against NT$	(1)	1,963	–
If Hong Kong dollar strengthens against NT$	1	(1,963)	–

* Excluding retained profits

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and bank balances, deposits and other receivables and available-for-sale investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 19 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banking credit facilities. The Group's policy is to minimise borrowings.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2018			
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Total HK$'000
Trade payables	**3,510**	**31,951**	**–**	**35,461**
Other payables	**14,787**	**36,139**	**2,400**	**53,326**
Guarantees given to banks in connection with facilities in lieu of utility and property rental deposits (Note 29)	**4,058**	**–**	**–**	**4,058**
	22,355	**68,090**	**2,400**	**92,845**

	2017			
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Total HK$'000
Interest-bearing bank borrowing	5,922	–	–	5,922
Trade payables	896	30,911	–	31,807
Other payables	19,757	24,723	2,767	47,247
Guarantees given to banks in connection with facilities in lieu of utility and property rental deposits (Note 29)	5,182	–	–	5,182
	31,757	55,634	2,767	90,158

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 31 March 2017.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The Group's policy is to keep the current ratio above 1. The current ratios as at the end of the reporting periods were as follows:

	2018 HK$'000	2017 HK$'000
Total current assets	**653,600**	633,047
Total current liabilities	**133,567**	129,448
Current ratio	**4.9**	4.9

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 **HK$'000**	2017 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**156,702**	156,702
CURRENT ASSETS		
Due from a subsidiary	**426,862**	307,964
Cash and bank balances	**32**	86
Total current assets	**426,894**	308,050
CURRENT LIABILITIES		
Other payables	**24**	24
NET CURRENT ASSETS	**426,870**	308,026
NET ASSETS	**583,572**	464,728
EQUITY		
Share capital	**36,738**	36,738
Reserves (note)	**546,834**	427,990
TOTAL EQUITY	**583,572**	464,728

Wong Yui Lam
Chairman, CEO & Executive Director

Lee Yuk Ming
Executive Director

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus* HK$'000	Share option reserve** HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2016	105,566	136,518	9,099	159,050	410,233
Final 2016 dividend declared	–	–	–	(22,043)	(22,043)
Total comprehensive income for the year	–	–	–	39,800	39,800
Transfer of share option reserve upon lapse of share options	–	–	(9,099)	9,099	–
At 31 March 2017 and 1 April 2017	**105,566**	**136,518**	**–**	**185,906**	**427,990**
Final 2017 dividend declared	**–**	**–**	**–**	**(27,554)**	**(27,554)**
Total comprehensive income for the year	**–**	**–**	**–**	**146,398**	**146,398**
At 31 March 2018	**105,566**	**136,518**	**–**	**304,750**	**546,834**

* The Company's contributed surplus comprises the excess of the fair value of the shares of the subsidiaries acquired pursuant to the group reorganisation over the nominal value of the Company's shares issued in exchange therefor; and the net-off with a special interim dividend distributed in a prior year.

** The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy and share-based payments in Note 26 to the financial statements. The amounts will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 June 2018.

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, is set out below.

	Year ended 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	**1,387,524**	1,305,880	1,512,996	1,591,817	1,427,113
Cost of sales	**(543,716)**	(488,005)	(620,330)	(623,050)	(517,530)
GROSS PROFIT	**843,808**	817,875	892,666	968,767	909,583
Other income and gains	**3,231**	10,913	4,500	10,413	2,224
Gain on deregistration of subsidiaries	**–**	8,111	–	–	–
Selling and distribution expenses	**(667,702)**	(645,646)	(714,514)	(710,007)	(650,137)
Administrative expenses	**(116,797)**	(105,643)	(110,242)	(110,791)	(106,639)
Other expenses	**(5,293)**	(11,274)	(9,757)	(8,606)	(5,157)
Finance costs	**(437)**	(226)	(796)	(347)	(789)
PROFIT BEFORE TAX	**56,810**	74,110	61,857	149,429	149,085
Income tax expense	**(16,207)**	(9,233)	(8,908)	(20,062)	(23,966)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**40,603**	64,877	52,949	129,367	125,119
DIVIDENDS	**27,554**	27,554	22,066	55,068	56,510

	As at 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
TOTAL ASSETS	**972,605**	945,143	896,034	925,906	852,537
TOTAL LIABILITIES	**(140,717)**	(134,546)	(126,583)	(156,951)	(161,158)
	831,888	810,597	769,451	768,955	691,379