bauhaus

interim report 2019

BAUHAUS INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code:483)

Contents

Key Financial Ratios		*Notes*	**Period 4-9/2019**	Period 4-9/2018	Change +/–
Performance					
Gross Margin	(%)	*1*	**58.4**	57.1	+1.3% pts.
Net Profit Margin	(%)	*2*	**–23.2**	–11.0	–12.2% pts.
Return on Average Equity (Annualised)	(%)	*3*	**–27.9**	–14.2	–13.7% pts.
Return on Average Assets (Annualised)	(%)	*4*	**–19.3**	–11.7	–7.6% pts.
Operating					
Inventory Turnover Days (Annualised)		*5*	**268**	314	–46 days
Debtors' Turnover Days (Annualised)		*6*	**15**	19	–4 days
Creditors' Turnover Days (Annualised)		*7*	**38**	39	–1 day
Liquidity and Gearing					
Current Ratio		*8*	**1.6**	3.2	–50.0%
Quick Ratio		*9*	**0.7**	0.9	–22.2%
Gearing Ratio	(%)	*10*	**–**	–	–
Per Share Data					
Book Value Per Share	(HK cents)	*11*	**168.8**	202.2	–16.5%
Basic Loss Per Share	(HK cents)	*12*	**25.9**	15.2	+70.4%
Diluted Loss Per Share	(HK cents)	*13*	**25.9**	15.2	+70.4%

Notes:

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

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

3 "Return on Average Equity" represents the annualised loss for the period attributable to equity holders of the parent divided by average of opening and closing balance of shareholders' equity.

4 "Return on Average Assets" represents the annualised loss for the period attributable to equity holders of the parent divided by average of opening and closing balance of total assets.

5 "Inventory Turnover Days" is based on average of opening and closing balance of inventories divided by cost of sales and then multiplied by number of days during the period.

6 "Debtors' Turnover Days" is based on average of opening and closing balance of trade receivables divided by turnover and then multiplied by number of days during the period.

7 "Creditors' Turnover Days" is based on average of opening and closing balance of trade payables divided by purchases and then multiplied by number of days during the period.

8 "Current Ratio" represents current assets divided by current liabilities.

9 "Quick Ratio" represents current assets less inventories then divided by current liabilities.

10 "Gearing Ratio" represents total interest-bearing bank borrowings divided by total assets.

11 "Book Value Per Share" represents shareholders' equity divided by the total number of issued shares at the end of reporting period of 367,380,000 (2018: 367,380,000).

12 "Basic Loss Per Share" is calculated as the loss for the period attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period under review of 367,380,000 (2018: 367,380,000).

13 "Diluted Loss Per Share" is calculated as the loss for the period attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period under review and all dilutive potential ordinary shares of 367,380,000 (2018: 367,380,000) in aggregate.

Name of the Company
Bauhaus International (Holdings) Limited
包浩斯國際（控股）有限公司

Directors of the Company (The "Directors")
Executive directors:
Mr. Wong Yui Lam
(Chairman and Chief Executive Officer)
Madam Tong She Man, Winnie *(Vice Chairlady)*
(appointed with effect from 12 September 2019)
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
Ernst & Young, *Certified Public Accountants*
22nd Floor
CITIC Tower,
1 Tim Mei Avenue, Central
Hong Kong

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

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

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

Head Office and Principal Place of Business in Hong Kong
Room 501, Sino Industrial Plaza
9 Kai Cheung Road
Kowloon Bay, Kowloon
Hong Kong

Principal Share Registrar and Transfer Office
Tricor Services (Cayman Islands) Limited
P.O. Box 10008,
Willow House,
Cricket Square,
Grand Cayman KY1-1001,
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

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

Listing information

Listing exchange	:	Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")
Listing date	:	12 May 2005
Stock code	:	483

Share information

		As at 30 September 2019 No. of shares	As at 31 March 2019 No. of shares
Shares			
Authorised shares	:	**2,000,000,000**	2,000,000,000
Issued shares	:	**367,380,000**	367,380,000

Board lot size	:	2,000 shares
Par value	:	HK$0.10

Key dates

2018/19 Annual Results Announcement	:	27 June 2019
Closure of Register of Members for 2018/19 Annual General Meeting	:	22 August 2019 to 28 August 2019 *(both days inclusive)*
2018/19 Annual General Meeting	:	28 August 2019
Closure of Register of Members for 2018/19 Proposed Final Dividend	:	6 September 2019 to 10 September 2019 *(both days inclusive)*
Payment of 2018/19 Final Dividend	:	20 September 2019
2019/20 Interim Results Announcement	:	30 November 2019
Official website	:	www.bauhaus.com.hk
Financial year end	:	31 March
Interim period end	:	30 September

BUSINESS REVIEW

The Group is principally engaged in the design and retail of trendy apparel, bags and fashion accessories. It operates various retail channels (both online and offline) in Hong Kong, Macau, Taiwan and Mainland China. The Group's turnover is mostly contributed by its major in-house labels like "SALAD", "TOUGH" and "80/20" as well as some reputable licensed brands including "SUPERDRY".

As at 30 September 2019, the Group had a total of 184 self-managed offline shops in operation (31 March 2019: 196).

	As at 30 September 2019	As at 31 March 2019	Changes
Hong Kong & Macau	**73**	77	–4
Taiwan	**69**	73	–4
Mainland China	**42**	46	–4
TOTAL	**184**	196	–12

The intensifying China-US trade war, depreciation of the Renminbi and, more seriously the recent social unrest in Hong Kong since June 2019, created extreme challenges to the Group's retail business in various regions, adversely affecting the Group's performance during the six months ended 30 September 2019. The overall turnover of the Group dropped by about 19.5% to approximately HK$410.8 million (2018: HK$510.0 million) and its net loss increased to about HK$95.2 million (2018: HK$55.9 million) for the period under review.

As at the date of this report, the Group has sufficient cash on hand to meet current business needs. Yet facing the great challenges, the Group has adopted a prudent finance management approach with proactive implementation of a number of cost control measures, including but not limited to negotiating for rental reduction and more flexible lease term structure with landlords, controlling effectively operational expenses such as staff costs, marketing expenses, other selling and administration costs, shop renovation expenditures, etc. The Group has also been launching more promotional campaigns to boost sales and lower the inventory level and preserve liquidity. The Group considers these measures can help it to sustain its core and productive operations through this difficult time.

Hong Kong, Macau and Elsewhere

This combined geographical unit, contributed mostly from Hong Kong's retail operation, makes up the largest operating segment of the Group. Unfortunately, Hong Kong's economy shrank 2.9% year-on-year in real terms in the third quarter of 2019, the slowest in a decade, and officially slipped into a technical recession. The intensifying China-US trade tensions and the social instability since June 2019 has adversely affected retail sentiment and deeply depressed both local consumers spending as well as inbound tourist traffic to the city. In addition, with increasingly violent anti-government protests since July 2019, the Group has to frequently halt retail operations in many core shopping areas due to safety concerns for its frontline staff and customers as well as temporary shutdown of major shopping malls.

As a result, the turnover of the segment declined by about 18.4% to about HK$294.5 million for the period under review (2018: HK$361.0 million). The Group recorded a same-store-sales growth of about –15% (2018: +2%) for the six months ended 30 September 2019. The segment also recorded a loss of about HK$22.0 million for the six months ended 30 September 2019 (2018: profit of about HK$13.1 million).

As at 30 September 2019, the Group operated 73 (31 March 2019: 77) self-managed retail shops in Hong Kong and Macau. In view of the recent unfavourable retail business environment, the Group has proactively been re-negotiating lease terms with landlords and strive for reasonable rental concessions to moderate its cost pressure in due course. The Group had closed certain significantly loss-making stores during the period under review and might need to further reduce its offline retail network in Hong Kong, if the business conditions remain extremely unfavourable.

Taiwan

The Group regrets that the business performance in Taiwan continued to be disappointing during the period under review. The retail sales in Taiwan dropped significantly by about 36.6% to about HK$57.1 million (2018: HK$90.1 million). However, as the Group had eliminated many significant loss-making stores last year and was further downsizing its retail network progressively, the region's loss was reduced to about HK$22.7 million (2018: HK$29.8 million) for the six months ended 30 September 2019. At the end of the reporting period, there was a total of 69 stores/counters/outlets (31 March 2019: 73) in operation, present mainly in reputable department stores within major Taiwan cities.

Though there were no sudden and drastic events like in Hong Kong, the prolonged weak retail climate in Taiwan has generally eroded the region's profitability and led to an unhealthily high inventory level (as compared to its sales performance) in the region. Given the higher priority for stock clearance, in particular the aged and off-season products, the Group had heavily cut the supply of new season goods to Taiwan and let the region had more rooms to digest the aged and slow-moving items and restore its healthy liquidity position. A series of promotional activities and larger number of short-term bargain outlets had been launched as well to accelerate stock clearance rate during the period under review.

However, with a lower proportion of new seasonal merchandise and reduction in the number of regular brand-building stores, the sales performance in normal stores was inevitably affected. The Group recorded a substantial negative year-on-year growth of about 39% (2018: +3%) in same-store-sales during the period under review. It is expected to undergo a further in-depth restructuring and adjustments across the region's retail portfolio and for a longer time.

Mainland China

As at 30 September 2019, the Group operated 42 (31 March 2019: 46) self-managed retail shops in Mainland China. Unfortunately, with the international trade disputes increasing uncertainties on China's economic growth, the turnover from the Mainland China segment just increased slightly by about 0.5% to about HK$59.2 million (2018: HK$58.9 million) during the period under review while the same-store-sales growth was still negative at about 6% (2018: –10%). The segment also recorded a larger loss of about HK$17.9 million (2018: HK$13.9 million) for the six months ended 30 September 2019.

As a prudent strategic move, the Group had closed retail operations in Hangzhou during the period under review and has also decided to close its offline retail network in Shanghai and Beijing gradually within one to two years. Instead, the Group intends to focus its resources and skillful retail manpower to develop and build a more solid foundation of retail business in the Greater Bay Area in Mainland China. In addition, the Group put greater efforts to facilitate cooperation among its offline and online sales channels to create greater synergies and to operate at a relatively lower cost. With a business presence both offline and online, the Group was able to pursue nationwide retail coverage and enhance its brand awareness.

FINANCIAL REVIEW

Turnover and Segment Information

Turnover of the Group decreased by about 19.5% to approximately HK$410.8 million (2018: HK$510.0 million) for the six months ended 30 September 2019. The Group recorded overall same-store-sales growth rate of about –19% (2018: +1%) for the first half of the financial year under review. Hong Kong, Macau and Elsewhere remains the key operating segment of the Group's retail business, accounting for approximately 71.7% (2018: 70.8%) of its turnover, while performed poorly with a negative growth in same-store-sales of about 15% (2018: +2%) during the period under review. Details of the Group's segmental turnover and results are shown in Note 3 to the Interim Financial Statements.

Gross Profit and Gross Margin

The Group's gross profit decreased by about 17.6% to approximately HK$239.9 million (2018: HK$291.2 million) for the six months ended 30 September 2019. In view of the unstable operating environment in Hong Kong and prolonged weak sales performance in Taiwan, the Group exerted great efforts to galvanise customer traffic and reduce slow-moving inventories in these regions. The gross margin was about 58.4% (2018: 57.1%) for the six months ended 30 September 2019.

Operating Expenses and Cost Control

The Group carefully managed expenses during the six months ended 30 September 2019. On controlling rental costs, a major component of its operating expenses, the Group regularly reviewed the performance of each retail store and consolidated under-performing shops. At the same time, the Group was cautious in identifying appropriate sites to re-allocate certain shops to less costly locations to strike a balance between prospective sales opportunities and cost efficiency. Lease expenses (including rental expenses, depreciation of right-of-use assets and related interest expenses on lease liabilities) decreased slightly to about HK$134.0 million (2018: HK$138.2 million), which accounted for about 39.5% (2018: 38.6%) of the Group's total operating expenses for the period under review. To attain a lower cost structure, the Group has adopted an ongoing practice of strategically relocating, consolidating and converting its retail portfolio. Besides, in view of the recent social unrest in Hong Kong since June 2019 adversely and severely affecting the retail business environment, the Group has proactively been re-negotiating rental and other lease terms with landlords.

Efforts to control costs in other areas are also important. The regular review on work procedures and performance is in place to raise effectiveness and to eliminate any inefficiency. As a result of the contraction of retail networks in certain regions with unsatisfactory business performance and a series of cost-cutting schemes implemented since August 2019, the total number of staff has been reduced by about 17.8% to 1,042 as at 30 September 2019 (31 March 2019: 1,268) and the staff cost also dropped to approximately HK$99.0 million (2018: HK$108.9 million) during the period under review.

Depreciation charges of the owned assets was about HK$23.3 million (2018: HK$22.7 million) for the period under review. Marketing and advertising spending remained comparable with the same period last year at approximately HK$13.6 million (2018: HK$13.5 million), representing about 3.3% (2018: 2.6%) of the Group's turnover. The Group intended to exert marketing efforts wisely on key brands and products to capture optimum promotional benefits.

The Group's overall operating expenses declined by about 5.2% to approximately HK$339.2 million (2018: HK$357.7 million) during the period under review.

Net Loss

The Group incurred a net loss for the six months ended 30 September 2019 of about HK$95.2 million (2018: HK$55.9 million). The unfavourable results were primarily attributed to stagnant sales performance in its core markets, particularly in Hong Kong and Taiwan.

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 from 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 30 September 2019, the Group had net assets of approximately HK$620.0 million (31 March 2019: HK$741.7 million), comprising non-current assets of approximately HK$665.2 million (31 March 2019: HK$319.0 million), net current assets of approximately HK$167.6 million (31 March 2019: HK$429.1 million) and non-current liabilities of approximately HK$212.8 million (31 March 2019: HK$6.4 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2019, the Group had cash and bank balances of approximately HK$136.5 million (31 March 2019: HK$198.7 million). At the end of the reporting period, the Group had aggregate banking facilities of approximately HK$174.7 million (31 March 2019: HK$174.7 million) comprising an interest-bearing bank overdraft, revolving loans, rental and utility guarantees as well as import facilities, of which approximately HK$167.8 million had not been utilised (31 March 2019: HK$170.4 million). The Group had no bank borrowing as at 30 September 2019 (31 March 2019: Nil) and hence, the gearing ratio at the end of the reporting period, representing a percentage of total interest-bearing bank borrowing to total assets, was 0% (31 March 2019: 0%).

CASH FLOWS

For the six months ended 30 September 2019, net cash flows from operating activities was about HK$76.5 million (2018: cash flows used in operating activities of about HK$61.3 million). The increase was mainly due to the repayment of lease liabilities being included in financing activities upon the adoption of HKFRS 16. Net cash flows used in investing activities reduced substantially by about 68.1% to approximately HK$14.1 million (2018: HK$44.2 million) mainly due to a significant decrease in capital expenditure for store renovation and new shop openings. Net cash flows used in financing activities was approximately HK$121.1 million (2018: HK$27.6 million), which consisted of the repayment of lease liabilities of about HK$99.1 million and the payment of 2019 final dividends of about HK$22.0 million.

SECURITY

The Group's general banking facilities were secured by its land and buildings situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of approximately HK$42.0 million (31 March 2019: HK$42.6 million).

COMMITMENTS

The Group had no material capital commitments contracted, but not provided for as at 30 September 2019 (31 March 2019: Nil).

EVENT AFTER THE REPORTING PERIOD

On 22 November 2019, the Group entered into a provisional sale and purchase agreement with an independent third party to sell a property situated in Hong Kong for an aggregate cash consideration of HK$45.0 million. The transaction is expected to be completed on or before 31 January 2020 and the Group expects to record a gain on disposal of approximately HK$29.8 million (before any related expense) upon completion of the transaction.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group had contingent liabilities in respect of guarantees given in lieu of utility and property rental deposits amounting to approximately HK$5.0 million (31 March 2019: HK$5.0 million).

In addition, 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.

HUMAN RESOURCES

Including the Directors, the Group had 1,042 (31 March 2019: 1,268) employees as at 30 September 2019. 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 period under review were mostly denominated in Hong Kong dollars, New Taiwan dollars, Renminbi and Pounds Sterling. The Group has been exposed to certain foreign currency exchange risks but it does not anticipate future currency fluctuations to cause material operational difficulties or liquidity problems. However, the Group continuously monitors its foreign exchange position and, when necessary, will hedge foreign exchange exposure arising from contractual commitments in sourcing apparel from overseas suppliers.

DIVIDEND

The Directors did not declare the payment of an interim dividend for the six months ended 30 September 2019 (2018: Nil).

PROSPECTS

In the review period, the ongoing trade war between China and the United States, as well as the escalating social movement in Hong Kong, had led to economic uncertainty and deteriorating consumer sentiment around the world, including the markets where the Group operates. In view of the ongoing economic stagnation and uncertainty, the Group will prudently pursue its business development, including streamlining its retail network and reducing inventories, in order to enhance its cash flow and financial strength, thereby providing greater resilience to respond to ever-changing market conditions.

The operations in Hong Kong, Macau and Elsewhere, comprising the major business segment of the Group, was deeply hit by the worsening retail climate, and the escalation of social tension in Hong Kong. Thus, the Group will continue to maintain a prudent approach and consolidate the retail network in the region. However, as high rental expenses still persist, the Group will continue to strategically optimise its cost structure.

The trade dispute, depreciation of the Renminbi and a slowdown of economic growth had adversely impacted Mainland China's retail market. In view of these factors, the Group has stopped its expansion strategy in Mainland China and is also comprehensively reviewing its current retail network, so as to identify and close underperforming stores, in order to realise higher efficiency. The Group will also review the potential of different markets in Mainland China, and identify future engines of its business development when the market resumes growth, especially in the Guangdong-Hong Kong-Macao Greater Bay Area, which is a strategic focus of China's future economic development.

In Taiwan, with the prolonged weakening of the economic and retail climate, the Group will further extend its efforts to reduce the scale of its operations, and focus on clearing aged and slow-moving inventories. These measures are intended to achieve a more streamlined cost structure, and strengthen its cash position and financial conditions, in order to better prepare for the headwinds moving forward.

Moreover, the Group will further rationalise its workflow so as to bolster its operating efficiency, as well as maintain various expenses, such as staff cost and marketing and advertising expenses, at efficient levels, in order to optimise its cost structure while operating in such a challenging environment.

To conclude, in a sluggish operating environment, as a result of various macroeconomic and social factors, in particular the Sino-US trade war and social tensions in Hong Kong, the Group will focus on rationalising its operations, reducing structural costs, and reinforcing its financial resilience. Meanwhile, the Group will leverage its unique brand portfolio and well-established market standing to enhance its brand awareness and market leadership, helping it to achieve sustainable growth and bring returns to shareholders in the long run.

For the six months ended 30 September 2019

	Notes	Six months ended 30 September 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
REVENUE	*4*	**410,803**	509,976
Cost of sales		**(170,893)**	(218,790)
GROSS PROFIT		**239,910**	291,186
Other income and gains	*4*	**561**	3,670
Selling and distribution expenses		**(267,217)**	(296,331)
Administrative expenses		**(53,550)**	(59,716)
Other expenses	*6*	**(9,097)**	(1,642)
Finance cost	*5*	**(9,326)**	–
LOSS BEFORE TAX	*6*	**(98,719)**	(62,833)
Income tax credit	*7*	**3,523**	6,947
LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**(95,196)**	(55,886)
Other comprehensive income/(loss)			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(4,521)**	(6,712)
Item that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity investments at fair value through other comprehensive income		**–**	1,030
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**(99,717)**	(61,568)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	*8*		
Basic and diluted		**HK25.9 cents**	HK15.2 cents

Condensed Consolidated Statement of Financial Position

As at 30 September 2019

	Notes	As at 30 September 2019 (Unaudited) HK$'000	As at 31 March 2019 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**180,382**	197,152
Investment property		**18,400**	19,400
Intangible assets		**369**	431
Right-of-use assets	*2*	**373,126**	–
Equity investments at fair value through other comprehensive income		**6,000**	6,000
Rental, utility and other non-current deposits		**69,402**	80,846
Deferred tax assets		**17,520**	15,212
Total non-current assets		**665,199**	319,041
CURRENT ASSETS			
Inventories		**241,871**	258,397
Trade receivables	*10*	**23,613**	42,828
Prepayments, deposits and other receivables		**32,975**	39,630
Tax recoverable		**3,711**	3,517
Cash and bank balances		**136,525**	198,744
Total current assets		**438,695**	543,116
CURRENT LIABILITIES			
Trade payables	*11*	**24,449**	36,611
Other payables and accruals		**52,128**	63,692
Contract liabilities		**8,540**	10,620
Lease liabilities	*2*	**184,118**	–
Tax payable		**1,852**	3,089
Total current liabilities		**271,087**	114,012
NET CURRENT ASSETS		**167,608**	429,104
TOTAL ASSETS LESS CURRENT LIABILITIES		**832,807**	748,145
NON-CURRENT LIABILITIES			
Lease liabilities	*2*	**206,952**	–
Deferred tax liabilities		**5,870**	6,400
Total non-current liabilities		**212,822**	6,400
NET ASSETS		**619,985**	741,745
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	*12*	**36,738**	36,738
Reserves		**583,247**	705,007
TOTAL EQUITY		**619,985**	741,745

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2019

	Share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000	Asset revaluation reserve# HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 April 2018 (audited)	36,738	105,566	744	14,639	8,249	14,633	–	651,319	831,888
Final 2018 dividend declared	–	–	–	–	–	–	–	(27,554)	(27,554)
Loss for the period	–	–	–	–	–	–	–	(55,886)	(55,886)
Other comprehensive income/(loss) for the period:									
Exchange differences on translation of foreign operations	–	–	–	(6,712)	–	–	–	–	(6,712)
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	1,030	–	1,030
Total comprehensive income/(loss) for the period	–	–	–	(6,712)	–	–	1,030	(55,886)	(61,568)
At 30 September 2018 (unaudited)	36,738	105,566	744	7,927	8,249	14,633	1,030	567,879	742,766
At 1 April 2019 (audited)	**36,738**	**105,566***	**744***	**11,123***	**8,257***	**14,633***	**3,030***	**561,654***	**741,745**
Final 2019 dividend declared	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(22,043)**	**(22,043)**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(95,196)**	**(95,196)**
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**(4,521)**	**-**	**-**	**-**	**-**	**(4,521)**
Total comprehensive loss for the period	**-**	**-**	**-**	**(4,521)**	**-**	**-**	**-**	**(95,196)**	**(99,717)**
At 30 September 2019 (unaudited)	**36,738**	**105,566***	**744***	**6,602***	**8,257***	**14,633***	**3,030***	**444,415***	**619,985**

* These reserve accounts comprise the consolidated reserves of HK$583,247,000 (31 March 2019: HK$705,007,000) in the condensed 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 carried at fair value before 1 April 2018.

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash flows from/(used in) operating activities	**76,482**	(61,342)
Net cash flows used in investing activities	**(14,121)**	(44,167)
Net cash flows used in financing activities	**(121,082)**	(27,554)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(58,721)**	(133,063)
Cash and cash equivalents at beginning of period	**198,744**	217,878
Effect of foreign exchange rate changes, net	**(3,498)**	(5,637)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**136,525**	79,178
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**136,525**	79,178

1.1 CORPORATE INFORMATION

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

The Company is a subsidiary of New Huge Treasure Investments Limited, a company incorporated in the British Virgin Islands. In the opinion of the directors, the ultimate holding company of the Company is Yate Enterprises Limited, which is incorporated in the British Virgin Islands and is beneficially and wholly-owned by a discretionary trust.

1.2 BASIS OF PRESENTATION AND PREPARATION

These unaudited condensed consolidated interim financial statements (the "**Interim Financial Statements**") of Bauhaus International (Holdings) Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the six months ended 30 September 2019 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, "*Interim Financial Reporting*", issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and the Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The accounting policies and basis of preparation adopted in the preparation of the Interim Financial Statements are the same as those used in the annual financial statements for the year ended 31 March 2019, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (which also include HKASs and Interpretations) (the "**Standards**") in current period for the first time as disclosed in Note 2 below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

These Interim Financial Statements have not been audited, but have been reviewed by the Company's audit committee and should be read in conjunction with the 2019 annual report.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following Standards for the first time in the preparation of these Interim Financial Statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HKFRS 16	*Leases*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the impact of the adoption of HKFRS 16 as further elaborated below, the adoption of the above Standards has had no significant financial effect on these Interim Financial Statements.

The impact of the adoption of HKFRS 16 "Leases"

(a) The Group's leasing activities and how these are accounted for

The Group is a lessee of its retail shops, offices, warehouses and certain equipment. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Before the adoption of the standard, leases of premises were classified as "operating leases". Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as right-of-use assets and corresponding lease liabilities at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the lease liabilities and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The impact of the adoption of HKFRS 16 "Leases" (continued)

(a) The Group's leasing activities and how these are accounted for (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- ➢ fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- ➢ variable lease payment that are based on an index or a rate;
- ➢ amounts expected to be payable by the lessee under residual value guarantees;
- ➢ the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- ➢ payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- ➢ the amount of the initial measurement of lease liability;
- ➢ any lease payments made at or before the commencement date less any lease incentives received;
- ➢ restoration cost; and
- ➢ any initial direct cost.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The impact of the adoption of HKFRS 16 "Leases" (continued)

(b) Adjustments recognised on adoption of HKFRS 16

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of condensed consolidated statement of financial position on 1 April 2019, and **the comparative information was not restated** and continues to be reported under HKAS 17.

The following table shows the adjustments for change in accounting policy recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	As at 31 March 2019 as originally presented (Audited) HK$'000	Impact on initial adoption of HKFRS 16 (Unaudited) HK$'000	As at 1 April 2019 Restated (Unaudited) HK$'000
Non-Current Assets			
Property, plant and equipment	197,152	(3,811)	193,341
Right-of-use assets	–	388,963	388,963
Current Assets			
Prepayments, deposits and other receivables	39,630	(4,368)	35,262
Current Liabilities			
Other payable and accruals	(63,692)	8,179	(55,513)
Lease liabilities	–	187,000	187,000
Non-Current Liabilities			
Lease liabilities	–	201,963	201,963

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 were ranging from about 4.2% to 7.1%.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The impact of the adoption of HKFRS 16 "Leases" (continued)

(b) Adjustments recognised on adoption of HKFRS 16 (continued)

	HK$'000
Operating lease commitment disclosed as at 31 March 2019 (Audited)	**440,324**
Less: discounted using the lessee's incremental borrowing rate at date of initial application	(21,835)
Less: short-term leases recognised on a straight-line basis as expenses	(20,799)
Less: payment not classified as lease liabilities	(8,727)
Lease liabilities recognised as at 1 April 2019 (Unaudited)	**388,963**
of which are:	
Current lease liabilities	187,000
Non-current lease liabilities	201,963
	388,963

The associated right-of-use assets at the date of initial application were measured as an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019.

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the six months ended 30 September 2019 are as follows:

	Right-of-use assets			**Lease liabilities**
	Building (Unaudited) HK$'000	Equipment (Unaudited) HK$'000	Total (Unaudited) HK$'000	(Unaudited) HK$'000
As at 1 April 2019	**388,807**	**156**	**388,963**	**388,963**
Exchange realignment	(3,648)	(1)	(3,649)	(3,649)
Transfer from property, plant and equipment	3,811	–	3,811	–
Additions	104,044	256	104,300	103,344
Depreciation	(110,234)	(37)	(110,271)	–
Write-off	(9,906)	(122)	(10,028)	(7,877)
Interest expenses	–	–	–	9,326
Payments	–	–	–	(99,037)
As at 30 September 2019	**372,874**	**252**	**373,126**	**391,070**

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

The impact of the adoption of HKFRS 16 "Leases" (continued)

(c) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- ➢ the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- ➢ replied on previous assessment of whether leases are onerous immediately before the date of initial application;
- ➢ the use of recognition exemption to lease with a remaining lease term of less than 12 months at 1 April 2019;
- ➢ the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- ➢ the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17.

(d) Judgements in determining the lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgements in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the design and retail of trendy apparel, bags and fashion accessories. For management purposes, the Group is organised into business units that offer products to customers located in different geographical areas. In determining the Group's reportable operating segments, revenues, results, assets and liabilities attributable to the segment are based on the location of the customers.

The Group has three reportable operating segments as follows:
(a) Hong Kong, Macau and Elsewhere
(b) Taiwan
(c) Mainland China

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance cost, fair value gain/(loss) on an investment property and unallocated expenses are excluded from this measurement.

Segment assets exclude an investment property, equity investments at fair value through other comprehensive income, deferred tax assets, tax recoverable and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax payable and other unallocated corporate liabilities as these liabilities are managed on a group basis.

Segment non-current assets exclude an investment property, equity investments at fair value through other comprehensive income, deferred tax assets and other unallocated corporate non-current assets as these assets are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Information about major customers
Since there was no customer to whom the Group's sales amounted to 10% or more of the Group's revenue during the period under review, no major customer information is presented.

3. OPERATING SEGMENT INFORMATION *(continued)*

	Hong Kong, Macau and Elsewhere HK$'000	Taiwan HK$'000	Mainland China HK$'000	Total HK$'000
For the six months ended 30 September 2019 (Unaudited)				
Segment revenue:				
Sales to external customers	294,484	57,136	59,183	410,803
Intersegment sales	9,934	15,428	2,340	27,702
	304,418	72,564	61,523	438,505
Reconciliation:				
Elimination of intersegment sales				(27,702)
Revenue				410,803
Segment results:	(22,047)	(22,692)	(17,870)	(62,609)
Reconciliation:				
Interest income				24
Finance cost				(9,326)
Fair value loss on an investment property				(1,000)
Unallocated expenses, net				(25,808)
Loss before tax				(98,719)
Other segment information:				
Capital expenditure*	9,108	909	2,895	12,912
Unallocated capital expenditure*				1,209
Total capital expenditure				14,121
Depreciation of owned assets	9,879	5,307	5,077	20,263
Depreciation of right-of-use assets	92,178	3,232	14,861	110,271
Unallocated depreciation				3,032
Total depreciation				133,566
As at 30 September 2019 (Unaudited)				
Segment assets:	624,871	100,683	175,142	900,696
Reconciliation:				
Investment property				18,400
Equity investments at fair value through other comprehensive income				6,000
Deferred tax assets				17,520
Tax recoverable				3,711
Unallocated assets				157,567
Total assets				1,103,894
Segment liabilities:	390,328	20,688	53,396	464,412
Reconciliation:				
Deferred tax liabilities				5,870
Tax payable				1,852
Unallocated liabilities				11,775
Total liabilities				483,909
Segment non-current assets:	408,417	21,666	64,902	494,985
Reconciliation:				
Investment property				18,400
Equity investments fair value through other comprehensive income				6,000
Deferred tax assets				17,520
Unallocated non-current assets				128,294
Total non-current assets				665,199

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

3. OPERATING SEGMENT INFORMATION *(continued)*

	Hong Kong, Macau and Elsewhere HK$'000	Taiwan HK$'000	Mainland China HK$'000	Total HK$'000
For the six months ended 30 September 2018 (Unaudited)				
Segment revenue:				
Sales to external customers	360,959	90,085	58,932	509,976
Intersegment sales	3,284	54,176	–	57,460
	364,243	144,261	58,932	567,436
Reconciliation:				
Elimination of intersegment sales				(57,460)
Revenue				509,976
Segment results:	13,107	(29,792)	(13,948)	(30,633)
Reconciliation:				
Interest income				63
Fair value gain on an investment property				400
Unallocated expenses, net				(32,663)
Loss before tax				(62,833)
Other segment information:				
Capital expenditure*	22,911	5,103	14,838	42,852
Unallocated capital expenditure*				1,315
Total capital expenditure				44,167
Depreciation of owned assets	11,119	6,212	2,440	19,771
Unallocated depreciation				2,972
Total depreciation				22,743
As at 31 March 2019 (Audited)				
Segment assets:	334,215	123,931	143,536	601,682
Reconciliation:				
Investment property				19,400
Equity investments at fair value through other comprehensive income				6,000
Deferred tax assets				15,212
Tax recoverable				3,517
Unallocated assets				216,346
Total assets				862,157
Segment liabilities:	61,298	6,843	32,246	100,387
Reconciliation:				
Deferred tax liabilities				6,400
Tax payable				3,089
Unallocated liabilities				10,536
Total liabilities				120,412
Segment non-current assets:	106,873	12,242	30,936	150,051
Reconciliation:				
Investment property				19,400
Equity investments at fair value through other comprehensive income				6,000
Deferred tax assets				15,212
Unallocated non-current assets				128,378
Total non-current assets				319,041

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

4. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue		
Sale of garment products and accessories transferred at a point in time	**410,803**	509,976
Disaggregated revenue information		
Segments		
Geographical markets		
Hong Kong, Macau and Elsewhere	**294,484**	360,959
Taiwan	**57,136**	90,085
Mainland China	**59,183**	58,932
Total revenue from contracts with customers	**410,803**	509,976
Other income		
Bank interest income	**24**	63
Rental income	**340**	260
Others	**197**	2,301
	561	2,624
Gains		
Foreign exchange gains, net	**–**	646
Fair value gain on an investment property	**–**	400
	–	1,046
	561	3,670

4. REVENUE, OTHER INCOME AND GAINS *(continued)*

Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of garment products and accessories

The Group sells garment products and accessories directly to retail customers via retail stores, department stores and internet. The performance obligation is satisfied when the product is transferred to the customers upon delivery of goods. Payment of the transaction price is due immediately when the customers purchase the goods. The payment is usually settled in cash or using credit cards.

The Group also sells goods to wholesalers. The performance obligation is satisfied when control of the products has been transferred, being when the products are delivered to the wholesalers and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. The payment is generally due within one to two months from delivery, except for certain wholesalers, where payment in advance is normally required.

5. FINANCE COST

An analysis of finance cost is as follows:

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest expenses on lease liabilities	**9,326**	–

6. LOSS BEFORE TAX

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

	Six months ended 30 September 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
Cost of inventories sold*	**170,043**	199,221
Provision for inventories, net*	**850**	19,569
Depreciation:		
owned assets	**23,295**	22,743
right-of-use assets	**110,271**	–
	133,566	22,743
Minimum lease payments under operating leases	**10,315**	119,009
Contingent rents under operating leases	**4,084**	19,237
	14,399	138,246
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and other benefits	**93,328**	102,692
Pension scheme contributions	**5,718**	6,255
	99,046	108,947
Fair value gain on an investment property	**–**	(400)
Other expenses:		
Fair value loss on an investment property	**1,000**	–
Loss on disposal of items of property, plant and equipment, net	**2,308**	1,371
Loss on disposal of trademarks	**–**	1
Amortisation of intangible assets	**62**	75
Write-off of deposits	**2,784**	–
Write-off of right-of-use assets	**2,151**	–
Impairment of items of property, plant and equipment	**454**	185
Foreign exchange losses, net	**338**	–
Others	**–**	10
	9,097	1,642

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

7. INCOME TAX

Hong Kong profit tax has been provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2019. The People's Republic of China corporate income tax ("**CIT**") is applicable to subsidiaries operated in Mainland China. All of these subsidiaries were subject to the applicable CIT rate of 25.0% (2018: 25.0%) for the period under review. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax charge/(credit), net		
– Hong Kong	**292**	(626)
– Mainland China	**(722)**	(38)
– Elsewhere	**(197)**	74
Deferred tax credit, net	**(2,896)**	(6,357)
Total tax credit for the period, net	**(3,523)**	(6,947)

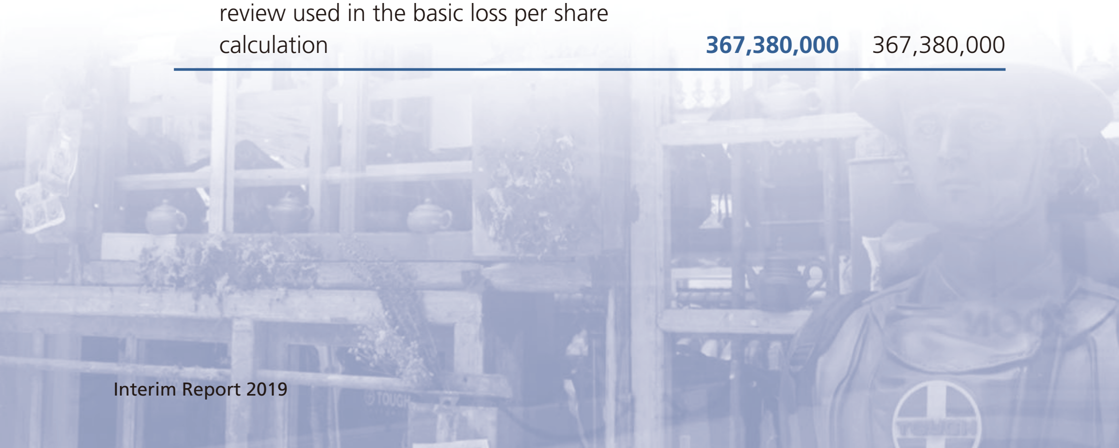
8. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share is based on the loss for the period attributable to equity holders of the parent of HK$95,196,000 (2018: HK$55,886,000) and the weighted average number of ordinary shares of 367,380,000 (2018: 367,380,000) in issue during the six months ended 30 September 2019.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2019 and 2018.

The calculations of the basic loss per share are based on:

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss		
Loss attributable to equity holders of the parent, used in the basic loss per share calculation	**95,196**	55,886
	Number of Shares	
Shares		
Weighted average number of ordinary shares in issue during the six months period under review used in the basic loss per share calculation	**367,380,000**	367,380,000



9. DIVIDEND

A final dividend of HK$22,043,000 for the year ended 31 March 2019 (2018: HK$27,554,000) was paid in September 2019.

The Board did not declare the payment of an interim dividend for the six months ended 30 September 2019 (2018: Nil).

10. TRADE RECEIVABLES

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 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:

	As at 30 September 2019 (Unaudited) HK$'000	As at 31 March 2019 (Audited) HK$'000
Within 90 days	**23,039**	42,298
91 to 180 days	**71**	6
181 to 365 days	**13**	3
Over 365 days	**490**	521
	23,613	42,828

11. 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:

	As at 30 September 2019 (Unaudited) HK$'000	As at 31 March 2019 (Audited) HK$'000
Within 90 days	**23,844**	26,915
91 to 180 days	**525**	9,017
181 to 365 days	**7**	374
Over 365 days	**73**	305
	24,449	36,611

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

12. SHARE CAPITAL

Shares

	Company	
	As at 30 September 2019 (Unaudited) HK$'000	As at 31 March 2019 (Audited) HK$'000
Issued and fully paid:		
367,380,000 (31 March 2019: 367,380,000) ordinary shares of HK$0.1 each	**36,738**	36,738

Details of the Company's share option scheme and the share options issued under the scheme are included in Note 13 to the Interim Financial Statements.

13. SHARE OPTION SCHEME

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

No share option was granted under the Scheme since its adoption and during the six months ended 30 September 2019. 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.

14. CONTINGENT LIABILITIES

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

	As at 30 September 2019 (Unaudited) HK$'000	As at 31 March 2019 (Audited) HK$'000
Guarantees given in lieu of utility and property rental deposits	**5,014**	5,014

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.

15. OPERATING LEASE ARRANGEMENTS

As lessor

The Group, as lessor, leases certain of its office under operating lease arrangements with lease terms ranging from two to three years. The Group had total future minimum lease payments receivable under non-cancellable operating leases falling due as follows:

	As at 30 September 2019 (Unaudited) HK$'000	As at 31 March 2019 (Audited) HK$'000
Within one year	**720**	672
In the second year	**436**	728
	1,156	1,400

16. COMMITMENTS

The Group had no material capital commitments contracted, but not provided for as at 30 September 2019 (31 March 2019: Nil).

17. PLEDGE OF ASSETS

The Group's general banking facilities were secured by its land and buildings situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of approximately HK$42,026,000 (31 March 2019: HK$42,549,000).

18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Rental income	**4**	–
Computer system maintenance charges	**285**	302

(b) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short-term employee benefits	**2,462**	2,168
Post-employment benefits	**39**	39
Total compensation paid to key management personnel	**2,501**	2,207

19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the board of directors of the Company on 30 November 2019.

DIRECTORS' INTERESTS IN SECURITIES

At 30 September 2019, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

(a) Long positions in ordinary shares of the Company

	Number of shares held, capacity and nature of interest				
Name of director	**Directly beneficially owned**	**Through controlled corporation**	**Through a discretionary trust/as beneficiary and founder of trust**	**Total number of ordinary shares held**	**Percentage of the Company's issued share capital**
Mr. Wong Yui Lam ("**Mr. Wong**") *(note 1)*	2,200,000	29,900,000	180,000,000	212,100,000	57.73%
Madam Tong She Man, Winnie ("**Madam Tong**") *(note 2)*	–	34,068,000	180,000,000	214,068,000	58.27%
Madam Lee Yuk Ming	250,000	–	–	250,000	0.07%
Mr. Yeung Yat Hang	4,730,000	–	–	4,730,000	1.29%

Notes:

1. 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, an executive director of the Company. The 180,000,000 shares are held by New Huge Treasure Investments Limited ("**Huge Treasure**"), which is held by Yate Enterprises Limited as to 100%. Yate Enterprises Limited is in turn held by East Asia International Trustees Limited ("**EAIT**") as to 100% as trustee of The Tong & Wong Family Trust, a discretionary trust established by Mr. Wong, an executive director of the Company and Madam Tong, an executive director of the Company. Mr. Wong is also one of the beneficiaries of The Tong & Wong Family Trust.

2. The 34,068,000 shares are held by Great Elite Corporation ("**Great Elite**"), the entire issued share capital of which is beneficially owned by Madam Tong, an executive director of the Company. The 180,000,000 shares are held by Huge Treasure, which is held by Yate Enterprises Limited as to 100%. Yate Enterprises Limited is in turn held by EAIT as to 100% as trustee of The Tong & Wong Family Trust, a discretionary trust established by Mr. Wong, an executive director of the Company and Madam Tong, an executive director of the Company. Madam Tong is also one of the beneficiaries of The Tong & Wong Family Trust.

(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
Tough Jeans Limited	Mr. Wong	Beneficial owner *(note)*	3 non-voting deferred shares of HK$1 each	60% of the issued non-voting deferred shares
Tough Jeans Limited	Madam Tong	Beneficial owner *(note)*	2 non-voting deferred shares of HK$1 each	40% of the issued non-voting deferred shares
Bauhaus Holdings Limited	Mr. Wong	Beneficial owner *(note)*	1 non-voting deferred shares of HK$1 each	50% of the issued non-voting deferred shares
Bauhaus Holdings Limited	Madam Tong	Beneficial owner *(note)*	1 non-voting deferred shares of HK$1 each	50% of the issued non-voting deferred shares

Note: Mr. Wong and Madam Tong are non-voting shareholders of these companies. The holders of these non-voting deferred shares are not entitled to any dividends and have no voting rights.

Save as disclosed above, as at 30 September 2019, none of the Directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporation, that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section of "Share Option Scheme", at no time during the six months ended 30 September 2019 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.

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

At 30 September 2019, 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, founder or trustee of trust**	**Total number of ordinary shares held**	**Percentage of the Company's issued share capital**
Huge Treasure	Long position	180,000,000	–	–	180,000,000	49.00%
Yate Enterprises Limited *(note 1)*	Long position	–	180,000,000	–	180,000,000	49.00%
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 *(note 4)*	Long position	34,068,000	–	–	34,068,000	9.27%
David Michael Webb *(note 5)*	Long position	11,836,336	21,247,664	–	33,084,000	9.00%

Notes:

1. Yate Enterprises Limited holds 100% shareholding interest in Huge Treasure. Therefore, Yate Enterprises Limited is deemed to be interested in the shares in the Company held by Huge Treasure by virtue of the SFO.

2. EAIT holds 100% shareholding interest in Yate Enterprises Limited as trustee of The Tong & Wong Family Trust. Therefore, EAIT is deemed to be interested in the shares in the Company by virtue of 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.

4. Great Elite is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Madam Tong.

5. The 21,247,664 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 30 September 2019, no person, other than the directors of the Company, whose interests are set out in the section of "Directors' interests in securities" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

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

No share option was granted under the Scheme since its adoption and during the six months ended 30 September 2019. 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.

CHANGES IN DIRECTORSHIP AND OTHER CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in directorship and other changes in the information of the Directors since the publication of the annual report of the Company for the year ended 31 March 2019 up to the date of this report are set out below:

Name of Director	**Details of changes**
Madam Tong She Man, Winnie ("**Madam Tong**")	➢ Appointed as an executive director and the vice chairlady of the Company with effect from 12 September 2019 ➢ Madam Tong, aged 60, is the co-founder of the Group and the controlling shareholder of the Company. She was a former executive Director from October 2004 to March 2009. Madam Tong has extensive experience in the fashion industry. She conceived the concept and brand name "SALAD", the second in-house brand of the Group. Madam Tong was awarded the diploma by Hong Kong Shue Yan College (Department of Journalism) in 1983. Madam Tong is the mother of Ms. Wong Hei Ting and Ms. Wong Hei Man, Frances, both of whom are the senior management of the Group.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Based on specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 September 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2019.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in of the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2019 except for not having a separate chairman (the "**Chairman**") and chief executive officer (the "**CEO**") of the Company. Both positions are currently held by Mr. Wong Yui Lam ("**Mr. Wong**").

CG Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. As the founder of the Group, Mr. Wong has substantial experience in the fashion industry and retail operations. The Directors consider that the present structure provides the Group with strong and consistent leadership which facilitates the development of the Group's business strategies and execution of its business plans in the most efficient and effective manner. The Directors believe that it is in the best interest of the Company and its shareholders as a whole that Mr. Wong continues to assume the roles of the Chairman and the CEO.

REVIEW OF FINANCIAL INFORMATION

An audit committee of the Company (the "**Audit Committee**") with written terms of reference comprises three independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group, including the review of the Interim Financial Statements for the six months ended 30 September 2019, and discussed risk management, internal control and financial reporting matters.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares was held by the public as at the date of this report.

APPRECIATION

On behalf of the Directors, I would like to express my gratitude to our shareholders, business partners and customers for their unwavering support. I would also like to extend my sincere appreciation to the Group's employees for their dedication and contribution.

By Order of the Board
Bauhaus International (Holdings) Limited
Wong Yui Lam
Chairman

Hong Kong, 30 November 2019