

[For Immediate Release]



## BAUHAUS ANNOUNCES 2011/12 INTERIM RESULTS

### Results Highlights

- Total turnover increased by about 21.2% to about HK\$465.0 million (2010: HK\$383.8 million)
- Gross profit increased by about 23.3% to about HK\$333.6 million (2010: HK\$270.6 million)
- Gross margin increased by about 1.2 percentage point to about 71.7% (2010: 70.5%)
- Net profit recorded HK\$15.0 million (2010: HK\$23.0 million)
- The Board of Directors declared the payment of an interim dividend of HK2.0 cents per share

(Hong Kong, 24 November 2011) – **Bauhaus International (Holdings) Limited** (“Bauhaus” or “the Group”) (stock code: 483) today announced its interim results for the six months ended 30 September 2011.

### Financial Review

During the period under review, the Group faced steadily rising operating costs including rent, raw materials and wages. However, robust favourable consumer sentiment during the period under review enabled the Group to modestly increase the general retail prices of its products as well as offer less discounts. As a result, the Group’s consolidated turnover increased markedly by 21.2% to approximately HK\$465.0 million (2010: HK\$383.8 million). Gross profit increased by 23.3% to about HK\$333.6 million (2010: HK\$270.6 million), with gross margin further improved by 1.2 percentage point to 71.7% (2010: 70.5%).

The Group sought to consolidate Mainland China’s operations, especially to streamline its franchise network as the performance of the franchise business deteriorated during the period under review. In addition, since the Group’s self-managed retail operation in the country still did not reach economies of scale and carried inefficiently, more efforts were invested to hire sufficient staff and to train them up to operate the business in a more effective manner. Moreover, substantial pre-operating costs were incurred for new shop openings, in particular for a newly introduced licensed label “SUPERDRY” in Hong Kong and Taiwan. As a result, the Group’s net profit contracted by 34.8% to HK\$15.0 million (2010: HK\$23.0 million).

**Mr. George Wong, Chairman of Bauhaus**, said, “Facing vigorous competition from various fashion brands in particular in Mainland China where a large number of players have sought to tap this lucrative market, the Group has sought to improve effectiveness and efficiency in our operations in the country. We strategically eliminated non-performing franchises and directed more resources to self-managed retail business in order to strengthen our control over our brand image and to ensure quality shopping experience and services to customers. In the long term, we believe these efforts will be paid off and allow us to deliver satisfactory returns to our shareholders.”

## **Business Review and Prospects**

### Hong Kong and Macau

Retail operation in Hong Kong, which accounted for 55.8% (2010: 56.1%) of the Group's turnover, achieved double-digit sales growth of 20.6% to HK\$259.5 million (2010: HK\$215.2 million). Macau's retail operation also performed encouragingly with turnover increasing by 42.3% to approximately HK\$32.3 million (2010: HK\$22.7 million). During the review period, the Group had fine-tuned its shop mix by introducing more "SUPERDRY" licensed brand shops, closing down certain non-performing shops and relocating shops to other prime shopping locations that commanded lower rent. As at 30 September 2011, the total number of shops in Hong Kong and Macau remained at 75. Going forward, the Group will maintain current optimum portfolio with focus on improving performance of each individual shop, thus providing a steady source of revenue and cash flow.

### Mainland China

During the period under review, turnover from Mainland China operation increased by approximately 10.9% to about HK\$84.1 million (2010: HK\$75.8 million). However, segment profit before tax fell to about HK\$1.1 million (2010: HK\$13.7 million), mainly due to substantial pre-operating costs incurred from expansion of the retail network while the newly opened shops took time to achieve stable revenue levels and a drop in franchise sales.

### Self-managed Retail Operation

Retail sales in Mainland China achieved significant growth of 26.0% to approximately HK\$60.1 million (2010: HK\$47.7 million). Currently, the Group's self-managed retail operation covers Beijing, Shanghai, Guangzhou, Nanjing and Suzhou. Overall, the Group opened 12 additional shops, including two new openings in Suzhou, raising the total number of shops to 53 (31 March 2011: 41).

More challenges are expected in the coming year. Increasing uncertainties in economic environment in the country leading to volatile sales performance since the third quarter of 2011 seem likely be sustained in the short term. Continuous inflation in general pushed up the operating costs of the Group, particularly rentals and wages, in Mainland China. Also, shortage of skillful retail staff limits the development of the Group's retail business. Therefore, the Group has paid special attention to monitor the performance and operating effectiveness of its shop portfolio and might slow down its expansion temporarily until the overall performance of the region improved.

### Franchise Business

To bolster efficiency, the Group has been streamlining and consolidating the franchise network by eliminating some non-performing members. The total number of franchised shops has duly been trimmed from 65 as at 31 March 2011 to 60 as at the end of the review period. In addition, more time is expected for the new franchisees to fully integrate with the Group's existing network. As a result, sales from the franchise operation dropped by 14.6% to about HK\$24.0 million (2010: HK\$28.1 million) for the six months ended 30 September 2011.

Under the Group's consolidation efforts in the segment, a probable significant contraction of the business is foreshadowed. Certain non-performing franchised shops will be closed down, leading to a likely significant drop in franchise sales and total number of franchised outlets.

### Taiwan

Underscoring the success of self-managed retail network in Taiwan, the operation once again recorded impressive growth in turnover, rising by about 42.8% to HK\$77.1 million (2010: HK\$54.0 million). Segment profit before tax was doubled to about HK\$7.4 million (2010: HK\$3.6 million). In addition to enhancing its presence through in-house labels, the Group established robust distribution channels for “SUPERDRY” since last year. As at 30 September 2011, there were 64 shops and counters in Taiwan, including 12 outlets that operated under the “SUPERDRY” licensed brand name. The Group is exploring every opportunity to deepen market penetration by opening more new shops, in particular under the brand name of “SUPERDRY”.

“Despite the future ahead is full of challenges, Bauhaus has set to boost its internal strengths to react to any possibility in the global economic development. We are stepping up efforts in recruiting high caliber and experienced staff in order to create a capable workforce sufficient to support future growth. Economic fluctuations are inevitable in the short term, yet the prospects of long-term development in the retail markets where the Group has operations remain positive. As such, we are cautiously optimistic to achieve growth in our business in the foreseeable future.” **Mr. Wong concluded.**

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### **About Bauhaus International (Holdings) Limited**

Bauhaus is principally engaged in the design, manufacture, wholesale and retail sales of apparel, bags and accessories with more than 10 in-house brands. It also sells apparel of third-party fashion brands. The Group runs self-operated retail stores in Hong Kong, Macau, Taiwan, Shanghai, Beijing, Nanjing, Suzhou and Guangzhou, franchise outlets in the PRC and exports “TOUGH Jeansmith” brand products to many countries around the world. Riding on its extensive sales network in the region and the vast potential of quality trendy wear in the market, Bauhaus aims to boost the status of its own brands in the Asian market, particularly in Mainland China.

For more information, please visit: [www.bauhaus.com.hk/ir/en](http://www.bauhaus.com.hk/ir/en)

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