[For Immediate Release]

bauhaus

BAUHAUS ANNOUNCES 2011/12 ANNUAL RESULTS

(Hong Kong, 21 June 2012) – **Bauhaus International (Holdings) Limited** ("Bauhaus" or "the Group") (stock code: 483) today announced its annual results for the year ended 31 March 2012.

Financial Review
The Group's consolidated turnover recorded a steady growth of 14.6% to approximately HK$1,159.9 million (2011: HK$1,011.7 million). Gross profit increased by 13.6% to about HK$804.5 million (2011: HK$708.2 million) with a gross margin of 69.4% (2011: 70.0%). The Group aggressively streamlined nonperforming operations in Mainland China, especially to downsize its franchise network, which adversely affected the Group's results during the year under review. In addition, major operating costs for rental, salary and raw materials continued to surge, which created a difficult operating environment and trimming the Group's profitability. As a result, the Group's net profit was contracted by about 34.3% to approximately HK$75.9 million (2011: HK$115.5 million).

Mr. George Wong, Chairman of Bauhaus, said, "The past year has proved to be a challenging period for the Group. While Hong Kong, Macau and Taiwan continued to serve as our foundation, providing a stable source of revenue, Mainland China experienced a gradual slowdown in economic growth following implementation of credit controls by the Government. To cope with the conditions and maintain steady development, we adopted a three-pronged strategy - focusing marketing efforts on promoting specific products; increasing the proportion of imported brands to support product diversification; and enhancing the profitability of each retail store. We believe that these measures would enable us to successfully overcome the volatile operating environment and form a foundation to boost the Group's performance in the future."

Business Review and Prospects

Hong Kong and Macau
Retail operation in Hong Kong and Macau, which accounted for 65.2% (2011: 64.1%) of the Group's turnover, increased by 16.6% to HK$756.2 million (2011: HK$648.6 million). Segment profit before tax increased remarkably by 30.5% to about HK$149.4 million (2011: HK$114.5 million). The Group fine-tuned its merchandising mix, closed down certain non-performing shops and relocated shops to other cost-effective prime shopping locations.

Taiwan
Turnover increased by 27.2%, again achieving a record of approximately HK$205.5 million (2011: HK$161.6 million). During the year, the Group significantly expanded its retail coverage by opening 25 new shops. In addition to enhancing its presence through in-house labels, the Group extended robust distribution channels for a growing licensed brand, "SUPERDRY" to Taiwan market by adding 8 more shops. As at 31 March 2012, there were a total of 78 shops in Taiwan of which 17 were "SUPERDRY" shops. However, segment profit before tax from Taiwan recorded about HK$14.4 million (2011: HK$39.0 million), which mainly attributed to a substantial pre-operating expenses incurred in opening new shops, a significant increase in rental costs as well as a sharp rise in provision on aged slow-moving inventories. It is expected the Group's effort in expanding in the region will start to bear fruit in the future and bring satisfactory return in the long term.

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Mainland China

Turnover increased slightly by approximately 3.1% to about HK$176.4 million (2011: HK$171.1 million). Despite a slowdown in China economy since third quarter of 2011, the Group's retail sales still managed to record a steady growth of about 19.8% to approximately HK$135.8 million (2011: HK$113.4 million). Under the Group's strategic consolidation efforts in the franchise segment, its turnover significantly dropped by about 31.2% to about HK$39.7 million (2011: HK$57.7 million). As a result, the segment recorded a loss of about HK$18.7 million for the year.

The Group believes the volatile economies will continue to dampen consumer confidence and in turn hinder growth of the retail sector in the near future. What is more, the combination of escalating material costs in Greater China, increasing labor cost and rising rent will present substantial challenges to retailers in the region. While there are already signs of economic slowdown, the PRC Government has implemented policies to encourage domestic consumption; hence, the local economies are expected to rebound. The Group will keep a vigilant watch over the changing market landscape and duly streamline its businesses accordingly.

"Looking ahead, we will focus to enhance efficiency and profitability in our operations in all regions. In particular, we will continue to consolidate our franchises network and to fine-tune the self-managed retail business in the PRC. Amid strong inflationary pressure, the Group will continue to practice fiscal restraint. Accordingly, we will employ stringent cost controls and upgrade associated information systems to mitigate the impact of escalating costs. In the long term, we believe these efforts will be paid off and allow us to maintain a solid foundation endeavoring a future growth, and delivering better results once the market begins to improve." **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, the PRC, and franchise outlets in the PRC and exports "TOUGH Jeansmith" brand products to many countries around the world.

For more information, please visit: www.bauhaus.com.hk/ir/en

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