

notes to financial statements

31 March 2005

1. CORPORATE INFORMATION

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 has not carried out any business since its date of incorporation on 8 October 2004 except for incurring the deferred initial public offering expenses as set out in note 5 below. No profit and loss account and statement of changes in equity have been presented by the Company for the period ended 31 March 2005 as the Company did not generate any profit and loss during that period and there was no movement in equity except as set out in note 7 below. Comparative amounts have not been presented for the Company's balance sheet as the Company did not exist as at 31 March 2004.

In the opinion of the directors, subsequent to the Group Reorganisation as set out below, Huge Treasure Investments Limited, which is incorporated in the British Virgin Islands, became the ultimate holding company of the Company.

2. GROUP REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 October 2004 under the Companies Law of the Cayman Islands. On incorporation, the Company had an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.1 each. On 12 October 2004, an aggregate of 200,000 shares were allotted and issued nil paid.

Subsequent to the balance sheet date, on 21 April 2005, the authorised share capital of the Company was increased to HK\$200,000,000 by the creation of an additional 1,999,000,000 shares. On the same day, pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 May 2005, the Company acquired the entire issued share capital in Bauhaus Investments (BVI) Limited ("Bauhaus BVI"), the then holding company of the subsidiaries set out in note 29 to the pro forma consolidated financial statements, in consideration for (a) the allotment and issue of 800,000 ordinary shares of HK\$0.1 each in the share capital of the Company to the then shareholders of Bauhaus (BVI), credited as fully paid; and (b) the crediting as fully paid of the 200,000 ordinary shares allotted and issued nil paid on 12 October 2004. The Company then became the holding company of the companies now comprising the Group (the "Group Reorganisation").

As at the balance sheet date, the controlling shareholders of Bauhaus BVI were also the controlling shareholders of the Group which was legally formed on 21 April 2005.

Further details of the Group Reorganisation are set out in note 7 to the Company's financial statements and in the Company's listing prospectus (the "Listing Prospectus") dated 29 April 2005.

The shares of the Company were listed on the Main Board of the Stock Exchange on 12 May 2005.

notes to financial statements

31 March 2005

3. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has recently issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Company has not early adopted these new HKFRSs in the financial statements for the period ended 31 March 2005. Based on the assessment of the directors, the directors are of the opinion that the adoption of these new HKFRSs would not have a significant impact on the Company's results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however 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 an impairment loss is credited to the profit and loss account in the period in which it arises.

5. DEFERRED INITIAL PUBLIC OFFERING EXPENSES

	2005 HK\$'000
Deferred initial public offering expenses	18,400

The deferred initial public offering expenses were incurred for the purpose of the Company's placement and new listing. Subsequent to the listing of the Company's shares on the Stock Exchange on 12 May 2005, the whole amount will be charged to the Company's share premium account.

6. AMOUNTS DUE TO RELATED COMPANIES

The balance due to related companies represents the initial public offering expenses paid on behalf of the Company by these related companies, which subsequently became indirect wholly-owned subsidiaries of the Company after the Group Reorganisation as set out in note 2 to the financial statements.

7. SHARE CAPITAL

Shares

	2005 HK\$'000
Authorised:	
1,000,000 ordinary shares of HK\$0.1 each	100
Issued and nil paid:	
200,000 ordinary shares of HK\$0.1 each	—

notes to financial statements

31 March 2005

7. SHARE CAPITAL (Continued)

Shares (Continued)

The following changes in the Company's authorised and issued share capital took place during the period from 8 October 2004 (date of incorporation) to 31 March 2005, and subsequent to the year end date up to 12 May 2005, the date of completion of the initial public offering:

	Notes	Number of ordinary shares of HK\$0.1 each	Nominal value of ordinary shares HK'000
Authorised:			
Upon incorporation and as at 31 March 2005	(a)	1,000,000	100
Increase in authorised share capital	(c)(i)	1,999,000,000	199,900
As at 12 May 2005, completion of initial public offering		2,000,000,000	200,000
Issued:			
Upon incorporation		—	—
Allotted and issued nil paid	(b)	200,000	—
As at 31 March 2005	(b)	200,000	—
On acquisition of Bauhaus Investments (BVI) Limited			
— new issue of shares	(c)(i)	800,000	80
— nil paid shares credited as fully paid	(c)(i)	—	20
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of the new shares to the public	(c)(ii)	245,000,000	—
New issue of shares	(c)(iii)	104,650,000	10,465
Capitalisation of the share premium account	(c)(ii)	—	24,500
As at 12 May 2005, completion of initial public offering		350,650,000	35,065

7. SHARE CAPITAL (Continued)

Shares (Continued)

Notes:

- (a) Upon incorporation of the Company, the authorised share capital of the Company was HK\$100,000 divided into 1,000,000 shares.
- (b) On 12 October 2004, an aggregate of 200,000 shares of HK\$0.1 each were allotted and issued nil paid, as to 100,000 shares to Wonder View Limited and 100,000 shares to Great Elite Corporation.
- (c) Changes to the share capital subsequent to 31 March 2005 were as follows:
 - (i) Pursuant to the written resolutions passed on 21 April 2005, the authorised share capital of the Company was increased from HK\$100,000 to HK\$200,000,000 by the creation of 1,999,000,000 additional shares of HK\$0.1 each. On the same day, (aa) an aggregate of 800,000 shares of HK\$0.1 each were allotted and issued, credited and fully paid at par; and (bb) the 200,000 shares allotted and issued nil paid on 12 October 2004 were credited as fully paid at par, in consideration for the acquisition of a total of 1,000 shares of US\$1 each in Bauhaus (BVI).
 - (ii) Pursuant to the written resolutions passed on 22 April 2005, a total of 245,000,000 shares of HK\$0.1 each in the Company were allotted and issued as fully paid at par, by way of capitalisation of the sum of HK\$24,500,000 standing to the credit of the share premium account of the Company. This allotment and capitalisation were conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in (iii) below.
 - (iii) In connection with the Company's initial public offering, 104,650,000 shares of HK\$0.1 each were issued at a price of HK\$1.25 per share for a total cash consideration, before expenses, of HK\$130,812,500. Dealings in these shares on the Stock Exchange commenced on 12 May 2005.

Share options

Subsequent to 31 March 2005, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any consultants, advisers, managers or officers of the Group, and the Company's shareholders. The Scheme will remain in force for 10 years from the date of its adoption.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

notes to financial statements

31 March 2005

7. SHARE CAPITAL (Continued)

Share options (Continued)

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 the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

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 the offer.

As at the date of this report, no option has been granted or agreed to be granted pursuant to the share option scheme.

8. RESERVES

As detailed in note 1 to the financial statements, the Company has not commenced any operations since its incorporation, accordingly, no reserve was presented.

9. POST BALANCE SHEET EVENTS

The changes in the share capital of the Company subsequent to 31 March 2005 in relation to the Group Reorganisation and the completion of the listing of the Company's shares on the Stock Exchange on 12 May 2005 are detailed in notes 2 and 7 to the financial statements.

On 6 July 2005, the directors recommended the distribution of a special interim dividend of HK2 cents per ordinary share. Such distribution will be made out of the contributed surplus of the Company arising as a result of the Group Reorganisation. Such recommendation has not been incorporated in the Company's financial statements or the Group's pro forma consolidated financial statements. The proposed special interim dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 6 July 2005.