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 had 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 19 to the pro forma consolidated financial statements. During the year, the Group was involved in the principal activities of manufacturing and trading of garments and accessories.

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

2. GROUP REORGANISATION AND BASIS OF PRESENTATION

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 26 to the pro forma consolidated 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.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION *(Continued)*

Basis of presentation

The Group Reorganisation involved companies under common control. As the Group Reorganisation took place on 21 April 2005, according to Statement of Standard Accounting Practice 27 "Accounting for group reconstructions" ("SSAP 27"), the Company together with its subsidiaries should only be regarded and accounted for as a continuing group in the preparation of the Group's financial statements commencing from the year ending 31 March 2006, as SSAP 27 specifies that financial statements should not incorporate a combination which occurs after the balance sheet date being reported on. Nevertheless, for the benefit of the shareholders, the pro forma consolidated financial statements for the current year and the related notes thereto have been presented in these financial statements on the basis of merger accounting such that the Company was treated as the holding company of its subsidiaries for the financial years presented rather than from the subsequent date of its acquisition of the subsidiaries on 21 April 2005. The pro forma consolidated results of the Group for the years ended 31 March 2004 and 2005 include the results of the Company and its subsidiaries with effect from 1 April 2003 or since their respective dates of incorporation or establishment or dates of acquisition, whichever is later.

All significant transactions and balances amongst the companies comprising the Group have been eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries which were accounted for under the purchase method of accounting.

Although the Group Reorganisation had not been completed and, accordingly, the Group did not legally exist until 21 April 2005, in the opinion of the directors of the Company, the presentation of such pro forma consolidated financial statements prepared on the aforesaid basis is necessary to apprise the Company's shareholders of the Group's profit and its state of affairs as a whole.

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 Group has not early adopted these new HKFRSs in the pro forma consolidated financial statements for the year 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 Group's results of operations and financial position.

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

HKFRS 3 "Business Combinations" is applicable to business combinations for which the agreement date is on or after 1 January 2005. On 1 February 2005 and 30 March 2005, the Group acquired in aggregate the entire equity interest in a subsidiary. In accordance with HKFRS 3, the acquisition was accounted for using the purchase method of accounting that measures the acquiree's assets, liabilities and contingent liabilities at their fair values at the respective acquisition dates. The acquisition of this subsidiary did not result in any goodwill or excess of the Group's interest in the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. The adoption of HKFRS 3 has resulted in more extensive disclosures which have been set out in note 29(c) to the pro forma consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These pro forma consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice ("SSAPs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, except for the adoption of merger accounting which is not in compliance with SSAP as described in note 2 above, and the disclosure requirements of the Hong Kong Companies Ordinance.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the pro forma consolidated profit and loss account and pro forma consolidated reserves, respectively.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Fixed assets and depreciation

Fixed assets, other than investment properties and construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	2%
Leasehold improvements	Over the lease terms
Plant and machinery	9% to 25%
Computer equipment	20% to 30%
Furniture, fixtures and equipment	18% to 25%
Motor vehicles	20% to 30%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Trademarks

Trademarks represent costs incurred for initial registration of the trademarks and are stated at cost less any impairment losses, and are amortised on the straight-line basis over their estimated useful lives of five years. The costs of renewing trademarks are charged to the profit and loss account as incurred.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing.

Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

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

Inventories

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

Cash and cash equivalents

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

(b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

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

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

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

Deferred tax liabilities are recognised for all taxable temporary differences:

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance. A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Pension schemes and other retirement benefits

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

The Group's subsidiaries incorporated in PRC participate in defined contribution retirement plans managed by the local municipal government in PRC in which they operate. The relevant authorities of the local municipal government in PRC undertake the retirement obligations of the Group's employees. The Group has no obligation for the payment of retirement benefits beyond the monthly contributions. The contribution payable is charged as an expense to the profit and loss account as and when incurred.

According to the existing relevant regulations in Taiwan, a subsidiary of the Group incorporated in Taiwan is required to participate in the retirement plan or scheme operated by the government in Taiwan (the "Taiwan Scheme") for the provision of pension benefits to its employees. This Taiwan subsidiary is required to contribute a certain percentage of their payroll to the Taiwan Scheme to fund the benefits. The obligation of the Group with respect to the Taiwan Scheme is to pay the ongoing required contribution and make a lump sum payment of pension to a retired employee under the current Taiwan Scheme. Contributions under the Taiwan Scheme are charged to the profit and loss account as they become payable in accordance with the rules of the Taiwan Scheme, and the outstanding payment of the contribution is reflected on the balance sheet.

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

Dividends

Final and special dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Dividends *(Continued)*

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

Distributions by the partnerships owned by the Group are recognised immediately as a liability when the partners proposed and declared.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

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

5. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by geographical segment. No further business segment information is presented as over 90% of the Group's revenue and assets relate to the trading of garments and accessories.

Each of the Group's geographical segments represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of the other geographical segments. The Group's customer-based geographical segments are as follows:

(a) Hong Kong

(b) Taiwan

(c) Japan

(d) Elsewhere

5. SEGMENT INFORMATION *(Continued)*

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of customers, and assets are attributed to the segments based on the location of the assets. Intersegment sales are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's geographical segments.

	Hong Kong		Taiwan		Japan		Elsewhere		Eliminations		Total	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
Segment revenue:												
Sales to external customers	291,665	254,357	26,039	22,314	7,946	18,414	17,076	11,683	—	—	342,726	306,768
Intersegment sales	11,674	9,856	—	—	—	—	3,532	—	(15,206)	(9,856)	—	—
Total	303,339	264,213	26,039	22,314	7,946	18,414	20,608	11,683	(15,206)	(9,856)	342,726	306,768
Segment results	58,286	54,906	1,358	(1,914)	1,360	3,556	3,845	2,940	(2,827)	(3,133)	62,022	56,355
Interest income											245	12
Unallocated expenses											(5,497)	(5,537)
Profit from operating activities											56,770	50,830
Finance costs											(201)	(28)
Share of profits and losses of associates	—	930	—	(8)	—	—	—	100	—	—	—	1,022
Profit before tax											56,569	51,824
Tax											(10,012)	(10,519)
Profit before minority interests											46,557	41,305
Minority interests											508	—
Net profit from ordinary activities attributable to shareholders											47,065	41,305

5. SEGMENT INFORMATION *(Continued)*

	Hong Kong		Taiwan		Japan		Elsewhere		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**161,228**	137,208	**11,992**	11,070	**312**	530	**13,520**	4,048	**187,052**	152,856
Unallocated assets									**7,892**	6,443
Total assets									**194,944**	159,299
Segment liabilities	**35,965**	9,902	**1,266**	6,960	**10**	185	**2,392**	199	**39,633**	17,246
Unallocated liabilities									**11,880**	6,914
Total liabilities									**51,513**	24,160
Additions to fixed assets	**23,398**	15,896	**84**	87	**—**	—	**1,138**	29	**24,620**	16,012
Depreciation	**4,841**	4,680	**31**	415	**—**	—	**98**	—	**4,970**	5,095
Loss/(gain) on disposal/write-offs of fixed assets	**515**	652	**(101)**	—	**—**	—	**—**	—	**414**	652
Amortisation of trademarks, unallocated									**389**	258
Bad debts written off	**1**	68	**—**	—	**—**	—	**—**	—	**1**	68
Trademarks written off	**106**	—	**—**	—	**—**	—	**—**	—	**106**	—
Loss on disposal of an associate	**—**	1,578	**—**	—	**—**	—	**—**	—	**—**	1,578

6. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts and sales tax.

An analysis of the Group's turnover, other revenue and gains are as follows:

	2005 HK$'000	2004 HK$'000
Turnover:		
Sale of garment products and accessories	**342,726**	306,768
Other revenue:		
Rental income	**46**	4
Interest income	**245**	12
Others	**784**	250
	1,075	266
Gains:		
Exchange gains, net	**426**	162
	1,501	428

7. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Notes	2005 HK$'000	2004 HK$'000
Auditors' remuneration		**1,005**	1,052
Cost of inventories sold		**123,109**	126,692
Depreciation	*14*	**4,970**	5,095
Provision against slow-moving inventories		**2,019**	1,503
Rental expenses under operating leases in respect of land and buildings:			
Minimum lease payments		**58,278**	53,466
Contingent rents		**6,149**	4,815
		64,427	58,281
Staff costs (excluding directors' emoluments as disclosed in note 9 below)			
Wages, salaries and other benefits		**50,283**	34,507
Pension scheme contributions*		**2,012**	1,214
		52,295	35,721
Write back of provision against slow-moving inventories#		**(2,361)**	(7,558)
Other operating expenses:			
Amortisation of trademarks	*15*	**389**	258
Trademarks written off	*15*	**106**	—
Bad debts written off		**1**	68
Loss on disposal/write-offs of fixed assets		**414**	652
Loss on disposal of an associate		**—**	1,578
		910	2,556

* At the balance sheet date, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years.

\# Provision against slow moving inventories was written back following the sale of the respective inventories in subsequent accounting periods.

8. FINANCE COSTS

	Group 2005 HK$'000	2004 HK$'000
Interest expenses on bank overdrafts	4	2
Interest expenses on bank loans wholly repayable within five years	195	21
Interest expenses on finance leases	2	5
	201	28

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

Group

2005

	Fees HK$'000	Salaries and allowances HK$'000	Directors' quarters HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Mr. Wong Yui Lam	—	1,950	—	12	1,962
Madam Tong She Man, Winnie	—	1,950	—	12	1,962
Madam Lee Yuk Ming	—	812	50	12	874
Mr. Yeung Yat Hing	—	687	—	12	699
	—	5,399	50	48	5,497

2004

	Fees HK$'000	Salaries and allowances HK$'000	Directors' quarters HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Mr. Wong Yui Lam	—	1,128	300	12	1,440
Madam Tong She Man, Winnie	—	1,128	300	12	1,440
Madam Lee Yuk Ming	—	576	—	12	588
Mr. Yeung Yat Hing	—	480	—	11	491
	—	3,312	600	47	3,959

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

There were no emoluments payable to the independent non-executive directors during the year (2004: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2004: four) executive directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2004: one) non-director, highest paid employee for the year are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**667**	511
Pension scheme contributions	**9**	6
	676	517

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

	Number of employees	
	2005	2004
Nil to HK$1,000,000	**1**	1

11. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong by the companies now comprising the Group.

The corporate income tax ("CIT") applicable to the three subsidiaries located in the Mainland China ranges from 15% to 18%. Two of these subsidiaries are entitled to tax holidays for full exemption of CIT for the first two profit-making years, followed by a 50% reduction of CIT for the succeeding three years. One of these two subsidiaries is still loss making while the tax holiday of the other one already expired in 1996.

Income tax for the subsidiary in Taiwan is calculated at the applicable tax rate of 25%. In addition, a further 10% income tax is charged on any undistributed earnings as at each calendar year end date for that subsidiary.

The subsidiary in Macau is a Macao offshore company. Subject to specific rules, it generally can enjoy full exemption from all taxes in Macau.

11. TAX *(Continued)*

	Group 2005 HK$'000	Group 2004 HK$'000
Current tax — Hong Kong		
Provision for the year	10,789	7,130
Underprovision in prior years	1	238
Current tax — Elsewhere		
Underprovision in prior years	109	123
Deferred tax charge/(credit) — *note 16*	(887)	2,605
	10,012	10,096
Share of tax attributable to associates	—	423
Total tax charge for the year	10,012	10,519

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

Group

2005

	Hong Kong HK$'000	Hong Kong %	Elsewhere HK$'000	Elsewhere %	Total HK$'000	Total %
Profit before tax	55,583		986		56,569	
Tax at the statutory or applicable tax rates	9,727	17.5	314	31.8	10,041	17.8
Adjustment in respect of current tax of previous periods	1	0.0	109	11.1	110	0.2
Expenses not deductible for tax	20	0.0	—	—	20	0.0
Income not subject to tax	(42)	(0.1)	—	—	(42)	(0.1)
Temporary differences not recognised	231	0.5	(87)	(8.8)	144	0.3
Tax losses utilised	(261)	(0.5)	—	—	(261)	(0.5)
Tax charge at the Group's effective rate	9,676	17.4	336	34.1	10,012	17.7

11. TAX *(Continued)*

Group *(Continued)*

2004

	Hong Kong		Elsewhere		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	54,115		(2,291)		51,824	
Tax at the statutory or applicable tax rates	9,470	17.5	(505)	22.0	8,965	17.3
Adjustment in respect of current tax of previous periods	238	0.4	123	(5.4)	361	0.7
Expenses not deductible for tax	354	0.7	—	—	354	0.7
Income not subject to tax	(2)	—	—	—	(2)	—
Temporary differences not recognised	288	0.5	553	(24.1)	841	1.6
Tax charge/(credit) at the Group's effective rate	10,348	19.1	171	(7.5)	10,519	20.3

12. DIVIDENDS

	2005	2004
	HK$'000	HK$'000
Proposed final dividend	—	43,000
Distributions by partnerships*	—	8,668
	—	51,668

The Company had not declared any final dividend in respect of the year. The prior year dividends declared by the subsidiaries and distributions made by the partnerships were made to their then shareholders.

* Prior year's distributions to controlling shareholders were made to their shareholders by certain partnerships, which previously comprised part of the Group. The shareholders were also controlling shareholders of the Group. These partnerships had been dissolved subsequently.

13. PRO FORMA EARNINGS PER SHARE

The calculation of the pro forma basic earnings per share is based on the pro forma net profit from ordinary activities attributable to shareholders for the year of HK$47,065,000 (2004: HK$41,305,000) and the 246,000,000 shares deemed to have been in issue during the year.

The number of shares used to calculate the basic earnings per share includes (i) the 1,000,000 shares of the Company issued and fully paid on 21 April 2005 and (ii) the capitalisation issue of 245,000,000 shares on 22 April 2005 (note 26).

Diluted earnings per share amounts have not been disclosed as no diluting events existed during the years ended 31 March 2004 and 2005.

14. FIXED ASSETS

Group

	Medium term leasehold land and buildings situated in Hong Kong HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Computer equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:							
At beginning of year	11,833	13,677	—	4,269	6,206	2,375	38,360
Exchange realignment	—	40	—	—	8	—	48
Additions	8,963	9,672	631	1,721	3,611	22	24,620
Acquisition of a subsidiary *(note 28(b))*	—	135	258	—	225	—	618
Disposals/write-offs	—	(1,078)	—	(665)	(459)	—	(2,202)
At 31 March 2005	20,796	22,446	889	5,325	9,591	2,397	61,444
Accumulated depreciation:							
At beginning of year	—	11,312	—	3,084	4,567	1,892	20,855
Exchange realignment	—	40	—	—	5	—	45
Provided during the year	297	2,292	89	748	1,249	295	4,970
Disposals/write-offs	—	(708)	—	(623)	(334)	—	(1,665)
At 31 March 2005	297	12,936	89	3,209	5,487	2,187	24,205
Net book value:							
At 31 March 2005	20,499	9,510	800	2,116	4,104	210	37,239
At 31 March 2004	11,833	2,365	—	1,185	1,639	483	17,505

At 31 March 2005, no fixed assets were held under a finance lease. The net book value of the Group's fixed assets held under finance leases included in the total amount of fixed assets at 31 March 2004 amounted to HK$86,000.

At 31 March 2005, certain of the Group's leasehold land and buildings with net book value of approximately HK$10,714,000 (2004: HK$10,933,000) were pledged to secure general banking facilities and bank loans granted to the Group (note 24).

15. TRADEMARKS

	Group HK$'000
Cost:	
At beginning of year	1,521
Additions	784
Write-offs	(203)
At 31 March 2005	2,102
Accumulated amortisation:	
At beginning of year	447
Provided during the year	389
Write-offs	(97)
At 31 March 2005	739
Net book value:	
At 31 March 2005	1,363
At 31 March 2004	1,074

16. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets

Group

	Decelerated tax depreciation HK$'000	Losses available for offset against future taxable profit HK$'000	Provision for unrealised profit on inventories HK$'000	Total HK$'000
At April 2003	650	840	3,275	4,765
Deferred tax credited/(charged) to the profit and loss account *(note 11)*	150	(230)	(2,215)	(2,295)
At April 2004	800	610	1,060	2,470
Acquisition of a subsidiary *(note 28(b))*	23	—	—	23
Deferred tax credited to the profit and loss account *(note 11)*	87	290	690	1,067
At 31 March 2005	910	900	1,750	3,560

Deferred tax liabilities

Group

	Accelerated tax depreciation HK$'000
At 1 April 2003	—
Deferred tax charged to the profit and loss account *(note 11)*	310
At 31 March 2004 and 1 April 2004	310
Deferred tax charged to the profit and loss account *(note 11)*	180
At 31 March 2005	490

At the balance sheet date, there were no unrecognised deferred tax liabilities for taxes that would be payable on the undistributed earnings of the Group, as the Group has no liability to additional tax should such amounts be remitted.

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

17. INVENTORIES

	Group 2005 HK$'000	Group 2004 HK$'000
Raw materials	13,995	3,950
Work in progress	3,216	—
Finished goods	47,239	26,897
	64,450	30,847

At 31 March 2005, inventories of HK$209,000 (2004: HK$2,679,000) were stated at their net realisable value.

18. TRADE AND BILLS RECEIVABLES

Retail sales are made on cash terms or from credit card with very short credit terms. Wholesale sales are made to customers with general credit terms ranging from 30 days to 60 days, except for certain well-established customers with a long business relationship with the Group, where the terms are extended. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management of the Group.

An aged analysis of the trade receivables as at the balance sheet dates, based on invoice date, is as follows:

	Group 2005 HK$'000	Group 2004 HK$'000
Within 90 days	10,106	6,106
91–180 days	199	530
181–365 days	166	142
	10,471	6,778

19. DEFERRED INITIAL PUBLIC OFFERING EXPENSES

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.

20. AMOUNTS DUE FROM DIRECTORS

Details of the amounts due from directors, disclosed pursuant to Section 161B of the Companies Ordinance, are set out below:

Group

	31 March 2005 HK$'000	Maximum amount outstanding during the year HK$'000	31 March 2004 HK$'000
Mr. Wong Yui Lam	—	12,661	11,396
Madam Tong She Man, Winnie	—	12,661	11,396
	—		22,792

The amounts due from directors represented advances made to the directors. The amounts due from directors were unsecured, interest-free and were fully settled during the year by offsetting the final dividend declared and approved for the year ended 31 March 2004. No further advances were made subsequent to the balance sheet date and in the opinion of the directors, such transaction will not recur subsequent to the listing of the shares of the Company.

21. CASH AND CASH EQUIVALENTS

	Group	
	2005 HK$'000	2004 HK$'000
Cash and bank balances	26,518	46,776
Non-pledged time deposits with maturity of over three months	3,900	3,900
	30,418	50,676

22. TRADE AND BILLS PAYABLE

An aged analysis of the trade and bills payables as at the balance sheet date, based on invoice date, is as follows:

	Group 2005 HK$'000	2004 HK$'000
Within 90 days	**7,870**	2,030
91–180 days	**4**	233
181–365 days	**—**	18
Over 365 days	**—**	8
	7,874	2,289

23. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company is trading in nature and repayable under normal trading terms. This amount is unsecured and interest-free. The related company is a company in which a connected person has beneficial interests.

24. INTEREST-BEARING BANK BORROWINGS

	Group 2005 HK$'000	2004 HK$'000
Bank overdrafts repayable on demand	**486**	51
Trust receipt loans repayable within one year	**887**	—
Secured bank loans repayable by instalments:		
Within one year	**5,003**	959
In the second year	**959**	1,003
In the third to fifth years, inclusive	**—**	959
	7,335	2,972
Portion classified as current liabilities	**(6,376)**	(1,010)
Non-current portion	**959**	1,962

As at 31 March 2005, the Group's bank loans were secured by certain of its leasehold land and buildings with an aggregate net book value of approximately HK$10,714,000 (2004: HK$10,933,000) (note 14).

25. FINANCE LEASE PAYABLES

The Group's finance leases have been fully settled during the year.

At 31 March 2004, the Group leased certain office equipment for its business. The total future minimum lease payments under the finance lease and its present value were as follows:

Group

	Minimum lease payments 2004 HK$'000	Present value of minimum lease payments 2004 HK$'000
Amounts repayable:		
Within one year	44	42
Total minimum finance lease payments	44	42
Future finance charges	(2)	
Total net finance lease payables	42	
Portion classified as current liabilities	(42)	
Long term portion	—	

26. SHARE CAPITAL

Shares

	Company 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	—

26. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

The following changes in the Company's authorised and issued share capital took place during the period from 12 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	—
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	—
Pro forma share capital as at 31 March 2004 and 2005		246,000,000	100
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

26. 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 the year ended 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), the then intermediate holding company of the subsidiaries of the Group.

(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.

26. 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 offer.

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

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the pro forma consolidated statement of changes in equity on page 42 of this annual report.

28. NOTES TO THE PRO FORMA CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transaction

During the year, a final dividend of HK$43,000,000 for the year ended 31 March 2004 was declared and approved by a subsidiary of the Group for distribution to the shareholders who are also the Company's controlling shareholders (note 12). HK$22,792,000 of such distribution was settled through current accounts with the directors who were also the Company's controlling shareholders, whilst the balance of HK$20,208,000 was paid in cash.

28. NOTES TO THE PRO FORMA CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Acquisition of a subsidiary

	Notes	2005 HK$'000	2004 HK$'000
Net assets acquired:			
Fixed assets	*14*	618	—
Deferred tax assets	*16*	23	—
Rental deposits		165	—
Inventories		8,765	—
Trade receivables		36	—
Prepayments and other receivables		372	—
Amounts due from related companies		2,042	—
Cash and bank balances		1,856	—
Trade payables		(1,268)	—
Tax payable		(39)	—
Accruals and other payables		(3,987)	—
Minority interests		(4,383)	—
		4,200	—
Satisfied by:			
Cash		4,200	—

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	2005 HK$'000	2004 HK$'000
Cash consideration	(4,200)	—
Cash and bank balances acquired	1,856	—
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(2,344)	—

On 1 February 2005, Firstcity Pacific Limited ("Firstcity"), a company now comprising part of the Group, acquired 51% equity interests in Kai Yip Manufactory Limited ("Kai Yip") from Bauhaus Partners Limited, a former associate of the Group, for a consideration of HK$4,200,000. Further details of such acquisition have been included in note 29 to the pro forma consolidated financial statements.

29. SUBSIDIARIES OF THE GROUP

Save as mentioned in note 2 to the financial statements, the Company became the holding company of the subsidiaries on 21 April 2005 pursuant to the Group Reorganisation. Prior to the Group Reorganisation and as at 31 March 2005, the Company had not invested in these subsidiaries.

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Bauhaus Investments (BVI) Limited ("Bauhaus (BVI)")	British Virgin Islands	Ordinary US$200	100	—	Investment holding
Neolux Limited	British Virgin Islands	Ordinary US$2	—	100	Investment holding
Firstcity Pacific Limited**	British Virgin Islands	Ordinary US$2	—	100	Investment holding
Smartside Limited	British Virgin Islands	Ordinary US$1	—	100	Investment holding
Tough Jeans (BVI) Limited	British Virgin Islands	Ordinary US$1	—	100	Investment holding
Tough Jeans (PRC) Limited	British Virgin Islands	Ordinary US$1	—	100	Investment holding
Bauhaus Holdings Limited	Hong Kong	Non-voting deferred HK$2 and ordinary HK$2	—	100	Trading of garments and accessories
Bauhaus (Far East) Limited	Hong Kong	Ordinary HK$2	—	100	Trading of garments and accessories
Tough Jeans Retail Limited	Hong Kong	Ordinary HK$2	—	100	Trading of garments and accessories
Tough Jeans Limited	Hong Kong	Non-voting deferred HK$5 and ordinary HK$2	—	100	Trading of garments and accessories
包豪氏企業有限公司	Taiwan	NT$500,000	—	100	Trading of garments and accessories
Kai Yip Manufactory Limited *(note (c))* ("Kai Yip")	Hong Kong	Ordinary HK$300,000	—	100	Trading of garments and accessories

29. SUBSIDIARIES OF THE GROUP *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Wide World Development Limited	Hong Kong	Ordinary HK$1	—	100	Trading of garments and accessories
Eighty Twenty Products Limited	Hong Kong	Ordinary HK$1	—	100	Trading of garments and accessories
Eighty Twenty Retail Limited	Hong Kong	Ordinary HK$1	—	100	Trading of garments and accessories
Bauhaus Asia Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Asia-Pacific Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Capital Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Classic Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Collections Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Concept Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Corporation Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Creation Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Deluxe Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Distributions Limited	Hong Kong	Ordinary HK$200,000	—	100	Leasing of properties
Bauhaus Discovery Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Dynamic Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Enterprises Limited	Hong Kong	Ordinary HK$300,000	—	100	Leasing of properties
Bauhaus Fashions Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Foundation Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Global Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties

29. SUBSIDIARIES OF THE GROUP *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Bauhaus Group Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Hong Kong Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Investment Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Marketing Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Pacific Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Shop Limited	Hong Kong	Ordinary HK$22,100	—	100	Leasing of properties
Bauhaus Sino Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Success Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Supermax Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
Bauhaus Worldwide Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
George Limited	Hong Kong	Ordinary HK$299,002	—	100	Leasing of properties
Longview Development Limited	Hong Kong	Ordinary HK$2	—	100	Leasing of properties
汕頭市包浩斯服飾製品有限公司 *(note b)*	The People's Republic of China ("PRC")/ Mainland China	RMB3,500,000	—	100	Manufacture of garments and accessories
Shan Tou Tat Yeung Leather & Plastic Co., Limited *(note (b) and (c))*	PRC/Mainland China	RMB1,455,659	—	100	Manufacture of garments and accessories
Bauhaus Property Limited	Hong Kong	Ordinary HK$2	—	100	Property holding
Bauhaus Management Limited	Hong Kong	Ordinary HK$1,000,000	—	100	Provision for management services

29. SUBSIDIARIES OF THE GROUP *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Bauhaus Profits Limited (previously known as "Bauhaus International (Holdings) Limited")	Hong Kong	Ordinary HK$2	—	100	Not yet commenced business
包浩斯貿易（深圳）有限公司 *(notes (a) and (b))*	PRC	—	—	100	Not yet commenced business
Tough Jeans Macao Commercial Offshore Limited	Macau	Ordinary MOP100,000	—	100	Not yet commenced business

Notes:

(a) The Group is required to contribute HK$950,000 to this company as registered capital. Subsequent to the balance sheet date, approximately HK$142,000 has been contributed. The remaining contribution of approximately HK$808,000 will be made within one year.

(b) The tenure of the following subsidiaries incorporated in the PRC is as follows:

	Tenure (Year)	Commencement date
Shan Tou Tat Yeung Leather & Plastic Co., Limited	15	29 October 1991
汕頭市包浩斯服飾製品有限公司	15	14 November 2003
包浩斯貿易（深圳）有限公司	50	4 February 2005

(c) On 1 February 2005, Firstcity Pacific Limited ("Firstcity"), a company now comprising the Group, acquired 51% of the voting shares of Kai Yip for a cash consideration of HK$4,200,000 based on the attributable net asset value of Kai Yip and its subsidiary.

The remaining 49% equity interest therein previously owned by the minority shareholder was also injected into Firstcity on 30 March 2005 through by a series of transactions which resulted eventually in the issue of shares of the Company. The fair value of the shares so issued amounted to HK$3,875,000 which approximated to the attributable net asset value of Kai Yip at the respective date of acquisition.

29. SUBSIDIARIES OF THE GROUP *(Continued)*

Notes: (Continued)

The aggregate fair value of the identifiable assets and liabilities of Kai Yip and its subsidiary at the dates of acquisitions is:

	HK$'000
Fixed assets	566
Deferred tax assets	47
Rental deposits	151
Inventories	7,623
Trade receivables	35
Prepayments and other receivables	692
Amounts due from related companies	402
Cash and bank balances	3,183
Tax recoverable	156
Trade payables	(1,299)
Accruals and other payables	(3,481)
	8,075
Consideration:	
Cash	4,200
Shares issued, at fair value	3,875
	8,075

No goodwill or excess of the Group's interests in the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of the acquisitions arose from the acquisitions since the considerations paid for both acquisitions approximated to the net asset values taken up on respective dates.

From the date of the acquisition, Kai Yip contributed approximately HK$2,504,000 to the Group's turnover and a loss of approximately HK$1,039,000 to the Group's pro forma consolidated profit after tax and before minority interests for the year ended 31 March 2005.

Had the acquisition been effected at the beginning of the year ended 31 March 2005, Kai Yip would have contributed approximately HK$6,422,000 to the Group's turnover and a profit of approximately HK$325,000 to the Group's pro forma consolidated profit after tax and before minority interests for the year ended 31 March 2005.

30. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group 2005 HK$'000	2004 HK$'000
Bank guarantees given in lieu of utility and property rental deposits	**3,484**	2,426

31. COMMITMENTS

(i) Commitments under operating leases

The Group, as lessee, leases its retail shops under operating lease arrangements with lease terms ranging from one to three and a half years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2005 HK$'000	2004 HK$'000
Within one year	**61,624**	50,230
In the second to fifth year, inclusive	**46,036**	34,172
	107,660	84,402

The operating lease rentals of certain retail shops are based on the higher of a fixed rental or contingent rent based on the sales of the retail shops pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these retail shops could not be estimated reliably, the relevant contingent rent has not been included above and only the minimum lease commitment has been included in the above table.

(ii) Other commitment

At 31 March 2005, the Group had entered into a foreign currency forward contract to buy Euro equivalent to approximately HK$3,000,000 for settlement of trade payables in Euro. Subsequent to the year end date, the Group has settled the trade payables with the aforesaid foreign currency forward contract.

32. RELATED PARTY TRANSACTIONS

	Notes	2005 HK$'000	2004 HK$'000
Purchases of goods from related companies in which the controlling shareholders have interest, at cost	*(i)*	—	75
Purchases of goods from related companies in which a person connected to the director has beneficial interest, other than at cost	*(i)*	—	548
Purchases of goods from a subsidiary of a former associate, other than at cost	*(i)*	—	1,303
Transactions with Kai Yip:	*(ii)*		
Sale of goods		2	180
Purchases of goods		43,102	38,373
Purchases of decoration materials		1,895	1,373
Rental expenses paid to related companies in which the controlling shareholders have interest, for quarters provided to directors and former directors of a company now comprising the Group	*(iii)*	—	640
Rental expenses paid to directors for retail shops	*(iv)*	—	1,371
Rental expenses paid to a minority shareholder	*(v)*	12	—
Purchases of computer equipment from a related company	*(vi)*	1,192	1,262
Computer system maintenance charges paid to a related company	*(vii)*	1,223	818

Notes:

(i) These transactions were conducted in terms agreed between the parties and were discontinued when the related parties were disposed of to a connected person or ceased business or were wound up.

(ii) The sales and purchases of goods with Kai Yip, in which two of the Company's directors previously had 51% interests prior to the Group's acquisition of Kai Yip, were made either at prices comparable to prices offered by/to other independent third parties. Such transactions were discontinued as related party transactions when Kai Yip became a subsidiary of the Group during the year (note 29).

32. RELATED PARTY TRANSACTIONS *(Continued)*

Notes: (Continued)

(iii) The rental expenses paid to related companies were determined between the parties with reference to the then prevailing market rent. Upon termination or expiry of the respective leases, no rental expenses were paid to the related companies during the year.

(iv) The rental expenses were paid to directors for reimbursement of rentals paid by them to the landlords of the properties which were used as retail shops of the Group. Upon assignments of the respective tenancy agreements, the Group paid rental expense directly to the third party landlords during the year.

(v) The rental expenses paid to a minority shareholder were determined between the parties with reference to the then prevailing market rent.

(vi) The purchases of computer equipment from the related company were made at prices and conditions with reference to those offered by major suppliers of the Group.

(vii) The computer system maintenance fees paid to the related company were determined between the parties.

Apart from the foregoing, the directors provided personal guarantees to certain landlords for leases of retail shops operated by the Group during the year. All personal guarantees of these lease agreements have been released during the year ended 31 March 2005 or subsequent to the balance sheet date.

The related party transactions in respect of items (v), (vi) and (vii) also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

33. POST BALANCE SHEET EVENTS

(a) On 21 April 2005, the companies now comprising the Group underwent a reorganisation in preparation for the listing of the Company's shares on the Stock Exchange. Further details of the Group Reorganisation are set out in notes 2 and 26 to the pro forma consolidated financial statements and the Company's Listing Prospectus dated 29 April 2005.

(b) 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.

34. APPROVAL OF THE FINANCIAL STATEMENTS

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