BAUHAUS INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

contents

corporate information

NAME OF THE COMPANY
Bauhaus International (Holdings) Limited
包浩斯國際（控股）有限公司

SHARE INFORMATION
Stock code: 483
(Listed on the Main Board of The Stock Exchange of Hong Kong Limited)
Board lot: 2,000 shares

REGISTERED OFFICE
Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 501, Sino Industrial Plaza
9 Kai Cheung Road
Kowloon Bay, Kowloon
Hong Kong

DIRECTORS
Executive directors:
Mr. Wong Yui Lam *(Chairman)*
Madam Tong She Man, Winnie
Madam Lee Yuk Ming
Mr. Yeung Yat Hang

Independent non-executive directors:
Mr. Chu To Ki
Mr. Mak Wing Kit
Dr. Wong Yun Kuen

COMPANY SECRETARY
Mr. Chung Chi Keung, CPA, FCCA

QUALIFIED ACCOUNTANT
Mr. Chung Chi Keung, CPA, FCCA

AUTHORISED REPRESENTATIVES
Mr. Wong Yui Lam
Madam Tong She Man, Winnie

MEMBERS OF AUDIT COMMITTEE
Mr. Mak Wing Kit *(Chairman)*
Mr. Chu To Ki
Dr. Wong Yun Kuen

MEMBERS OF REMUNERATION COMMITTEE
Mr. Mak Wing Kit *(Chairman)*
Mr. Chu To Ki
Dr. Wong Yun Kuen

MEMBERS OF NOMINATION COMMITTEE
Dr. Wong Yun Kuen *(Chairman)*
Mr. Chu To Ki
Mr. Mak Wing Kit

COMPLIANCE ADVISER
Sun Hung Kai International Limited
Level 12, One Pacific Place
88 Queensway
Hong Kong

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Bank (Cayman) Limited
Butterfield House
68 Fort Street, P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
G/F., Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

(With effect from 3 January 2006)
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

WEBSITE
www.bauhaus.com.hk

financial highlights

Key Financial Ratios		Notes	Period 4-9/05	Period 4-9/04	Change +/–
Gross Margin	(%)	*1*	**64.7**	63.6	1.1% pts.
Adjusted Gross Margin	(%)	*2*	**65.1**	61.8	3.3% pts.
Net Profit Margin	(%)	*3*	**9.8**	11.8	–2.0% pts.
Adjusted Net Profit Margin	(%)	*4*	**10.1**	10.0	0.1% pt.
			As at 30-9-2005	As at 31-3-2005	
Return on Average Equity (Annualised)	(%)	*5*	**17.6**	33.8	–16.2% pts.
Return on Average Assets (Annualised)	(%)	*6*	**13.8**	26.6	–12.8% pts.
Inventory Turnover Days (Annualised)		*7*	**235**	142	93 days
Debtors' Turnover Days (Annualised)		*8*	**11**	9	2 days
Current Ratio		*9*	**4.5**	2.6	73.1%
Quick Ratio		*10*	**2.7**	1.3	107.7%
Gearing Ratio	(%)	*11*	**1.5**	3.8	–2.3% pts.

Per Share Data			Period 4-9/05	Period 4-9/04	
Earnings Per Share	(HK cents)	*12*	**5.4**	7.1	–23.9%
Dividend Per Share – Interim	(HK cents)		**2.5**	N/A	N/A
Dividend Per Share – Special Interim	(HK cents)		**2.0**	N/A	N/A
			As at 30-9-2005	As at 31-3-2005	
Book Value Per Share	(HK cents)	*13*	**73.5**	58.3	26.1%

Notes:

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

2. "Adjusted Gross Margin" is based on gross profit excluding net provision against slow-moving inventory of HK$0.7 million (2004: net write-back of HK$2.7 million) divided by turnover during the period.

3. "Net Profit Margin" is calculated as net profit divided by turnover during the period.

4. "Adjusted Net Profit Margin" is based on net profit excluding net provision against slow-moving inventory of HK$0.7 million (2004: net write-back of HK$2.7 million) divided by turnover during the period.

5. "Return on Average Equity" represents net profit during the period divided by average of opening and closing balance for shareholders' equity.

6. "Return on Average Assets" represents net profit during the period divided by average of opening and closing balance for total assets.

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

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

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

10. "Quick Ratio" represents current assets less inventory balance then divided by current liabilities.

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

12. "Earnings Per Share" is calculated based on the weighted average number of 325,513,115 shares in issue during the period under review. The comparative figure is calculated based on an aggregate of 246,000,000 shares comprising 1,000,000 shares in issue immediately after completion of the Group Reorganisation and 245,000,000 shares issued upon completion of the capitalisation issue, which were deemed to have been in issue since 1 April 2004.

13. "Book Value Per Share" represents shareholders' equity divided by total number of issued shares of 350,650,000 shares at the balance sheet date. The comparative figure is calculated based on an aggregate of 246,000,000 shares comprising 1,000,000 shares in issue immediately after completion of the Group Reorganisation and 245,000,000 shares issued upon completion of the capitalisation issue, which were deemed to have been in issue since 1 April 2004.

To the board of directors
Bauhaus International (Holdings) Limited
(Incorporated in the Cayman Islands with limited liability)

We have been engaged by the Company to review the interim financial report of the Company and its subsidiaries ("the Group") for the six months ended 30 September 2005 as set on pages 6 to 23.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of the interim financial report to be in compliance with the Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors. It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2005.

Ernst & Young
Certified Public Accountants

Hong Kong
14 December 2005

condensed consolidated income statement

For the six months ended 30 September 2005

The board (the "Board") of directors (the "Directors") of Bauhaus International (Holdings) Limited (the "Company") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2005, prepared on the basis set out in note 1 to the condensed consolidated financial statements below, together with the comparative figures for the corresponding period.

These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's external auditors and the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
	Notes	**2005 (Unaudited) HK$'000**	2004 (Unaudited) HK$'000
TURNOVER			
Sales of goods	*3*	**180,679**	148,687
Cost of sales		**(63,772)**	(54,088)
Gross profit		**116,907**	94,599
Other revenue and gains	*4*	**2,741**	759
Selling and distribution costs		**(72,895)**	(56,035)
Administrative expenses		**(25,835)**	(17,085)
Other expenses		**(232)**	(734)
Finance costs	*5*	**(233)**	(64)
PROFIT BEFORE TAX	*6*	**20,453**	21,440
Tax	*7*	**(2,814)**	(3,892)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**17,639**	17,548
EARNINGS PER SHARE – BASIC	*8*	**HK5.4 cents**	HK7.1 cents
DIVIDEND PER SHARE	*9*		
Special interim		**HK2.0 cents**	–
Interim		**HK2.5 cents**	–
		HK4.5 cents	–

condensed consolidated balance sheet

30 September 2005

	Notes	30 September 2005 (Unaudited) HK$'000	31 March 2005 (Audited) (Restated) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		31,938	29,600
Prepaid land lease payments	2	7,406	7,484
Trademarks		1,330	1,363
Deferred tax assets		4,626	3,560
Rental, utility and other non-current deposits		22,697	22,751
		67,997	64,758
CURRENT ASSETS			
Inventories	10	99,191	64,450
Trade and bills receivables	11	11,525	10,471
Prepayments, deposits and other receivables		10,573	5,860
Deferred initial public offering expenses		–	18,400
Prepaid land lease payments, current portion	2	155	155
Tax recoverable		74	432
Cash and cash equivalents	12	124,336	30,418
		245,854	130,186
CURRENT LIABILITIES			
Trade and bills payables	13	19,100	7,874
Tax payable		4,403	4,055
Accruals and other payables		18,618	31,736
Amount due to a related company		8	23
Interest-bearing bank borrowings		4,139	6,376
Dividend payable		8,772	–
		55,040	50,064
NET CURRENT ASSETS		190,814	80,122
TOTAL ASSETS LESS CURRENT LIABILITIES		258,811	144,880
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		456	959
Deferred tax liabilities		468	490
		924	1,449
		257,887	143,431
CAPITAL AND RESERVES			
Equity attributable to equity holders of the parent:			
Share capital	14	35,065	100
Reserves		222,822	143,331
		257,887	143,431

condensed consolidated cash flow statement

For the six months ended 30 September 2005

	Notes	Six months ended 30 September 2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'000
Net cash inflow/(outflow) from operating activities		**(7,364)**	8,113
Net cash outflow from investing activities		**(6,810)**	(10,099)
Net cash inflow/(outflow) from financing activities		**108,411**	(2,517)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**94,237**	(4,503)
Cash and cash equivalents at beginning of period		**26,032**	46,725
Effect of foreign exchange rate changes, net		**167**	5
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**120,436**	42,227
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*12*	**59,713**	42,227
Non-pledged time deposits with original maturity of less than three months	*12*	**60,723**	–
		120,436	42,227

condensed consolidated statement of changes in equity

For the six months ended 30 September 2005

	Notes	Issued share capital HK$'000	Share premium account HK$'000	Contributed Surplus HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total equity HK$'000
At 1 April 2005 (Audited)		100	3,875	3,882	350	135,224	–	143,431
Issue of shares	*14(c)(iii)*	10,465	120,347	–	–	–	–	130,812
Capitalisation of the share premium account	*14(c)(ii)*	24,500	(24,500)	–	–	–	–	–
Transfer to contributed surplus		–	(3,875)	3,875	–	–	–	–
Write-off of deferred initial public offering expenses*		–	(18,400)	–	–	–	–	(18,400)
Exchange realignment		–	–	–	184	–	–	184
Net gain/(loss) not recognised in income statement		–	(18,400)	–	184	–	–	(18,216)
Net profit for the period		–	–	–	–	17,639	–	17,639
Special interim dividend declared and paid	9	–	–	(7,013)	–	–	–	(7,013)
Interim dividend declared	9	–	–	–	–	(8,766)	–	(8,766)
At 30 September 2005 (Unaudited)		35,065	77,447**	744**	534**	144,097**	–	257,887

* The deferred initial public offering expenses were incurred for the purpose of the Company's placement and new listing. Upon to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 12 May 2005, the whole amount was charged to the Company's share premium account.

** These reserves accounts comprise consolidated reserves of the Group of HK$222,822,000 (31 March 2005: HK$143,331,000) included in the condensed consolidated balance sheet.

	Issued share capital HK$'000	Share premium account HK$'000	Contributed Surplus HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total equity HK$'000
At 1 April 2004 (Audited)	100	–	3,880	–	88,159	43,000	135,139
Issue of shares of newly incorporated companies	–	–	2	–	–	–	2
Exchange realignment	–	–	–	5	–	–	5
Net gain not recognised in income statement	–	–	–	5	–	–	5
Net profit for the period	–	–	–	–	17,548	–	17,548
Final 2004 dividend paid	–	–	–	–	–	(43,000)	(43,000)
At 30 September 2004 (Unaudited)	100	–	3,882	5	105,707	–	109,694

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

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 21 April 2005, 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, in consideration for the aggregate allotment and issue of 1,000,000 ordinary shares of HK$0.1 each in the share capital of the Company to the then shareholders of Bauhaus (BVI). The Company then became the holding company of the companies now comprising the Group (the "Group Reorganisation").

Further details of the Group Reorganisation are set out 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.

These unaudited condensed consolidated accounts are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

The Group resulting from the Group Reorganisation is regarded as a continuity entity. Accordingly, the unaudited condensed consolidated accounts have been prepared on the merger basis as if the Company had been the holding company of the companies comprising the Group as if the group structure as at 21 April 2005 had been in existence from the beginning of 1 April 2004. In the opinion of the Directors, the unaudited condensed accounts prepared on the above basis present more fairly the results, cash flows and state of affairs of the Group as a whole.

These condensed accounts should be read in conjunction with the 2005 Annual Report.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual report for the year ended 31 March 2005, except that upon adoption of the new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005, certain of the Group's accounting policies were changed.

These interim accounts have been prepared in accordance with those new HKFRSs and interpretations issued and effective as at the time of preparing this information. The new HKFRSs and interpretations that will be applicable at 31 March 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

Except for HKAS 17, the adoption of other HKASs, HKFRSs and Interpretations has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting HKAS17 is summarised as follows:

HKAS 17 – Leases

In prior periods, leasehold land and buildings held for own use were stated at valuation less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease because the title of the land is not expected to pass to the Group at the end of the lease term, and is reclassified from fixed assets to prepaid land premiums/land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the condensed consolidated income statement and retained profits. The comparatives on the condensed consolidated balance sheet as at 31 March 2005 have been restated to reflect the reclassification of leasehold land. The effect arising from this change in accounting policy is summarised as follows:

	30 September 2005 (Unaudited) HK$'000	31 March 2005 (Unaudited) HK$'000
Increase in prepaid land lease payments:		
Current portion	155	155
Non-current portion	7,406	7,484
	7,561	7,639

The carrying amount of the Group's prepaid land lease payments, which are stated at cost less accumulated amortisation, were reclassified from the Group's fixed assets.

3. SEGMENT INFORMATION

Segment information is presented by way of the following segment formats:

(i) on a primary segment reporting basis, by geographical segment; and

(ii) on a secondary segment reporting basis, by business segment.

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) People's Republic of China ("PRC")

(e) Elsewhere

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.

With respect to the Group's secondary reporting by business segment, the Group has three business segments each of which represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. The Group business segments comprise:

(a) Retail operation which is engaged in the retailing businesses through the operations of the Group's retail outlets;

(b) Wholesale operation which is engaged in the sale of garments and accessories to customers for its distributions; and

(c) Franchise business which is engaged in the sale of garments and accessories to the designated franchisees for their own operations of retailing businesses in the designated locations.

Geographical segments

An analysis of the Group's turnover and contribution to operating results by geographical segments is presented below.

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
TURNOVER		
Hong Kong	**145,215**	124,508
Taiwan	**15,870**	16,664
Japan	**6,326**	5,443
PRC	**7,355**	3,648
Elsewhere	**10,900**	3,289
less: Inter-segment sales	**(4,987)**	(4,865)
	180,679	148,687

	For the six months ended 30 September 2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'000
RESULTS		
Hong Kong	13,946	21,276
Taiwan	1,426	1,374
Japan	1,831	560
PRC	2,875	1,172
Elsewhere	2,062	575
less: Inter-segment elimination	(1,225)	(1,090)
	20,915	23,867
Interest income	1,898	119
Unallocated corporate expenses	(2,127)	(2,482)
Finance costs	(233)	(64)
Profit before taxation	20,453	21,440
Taxation	(2,814)	(3,892)
Profit for the period	17,639	17,548

Business segments

An analysis of the Group's turnover by business segments is presented below.

	For the six months ended 30 September 2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'000
TURNOVER		
Retail operation	155,350	136,242
Wholesale operation	17,974	8,797
Franchise business	7,355	3,648
	180,679	148,687

4. OTHER REVENUE AND GAINS

	Six months ended 30 September 2005 (Unaudited) HK$'000	Six months ended 30 September 2004 (Unaudited) HK$'000
Other revenue:		
Interest income	1,898	119
Rental income	25	25
Others	812	600
	2,735	744
Gains:		
Exchange gains, net	–	15
Net gain on disposal of fixed assets	6	–
	6	15
	2,741	759

5. FINANCE COSTS

	Six months ended 30 September 2005 (Unaudited) HK$'000	Six months ended 30 September 2004 (Unaudited) HK$'000
Interest on bank overdrafts	13	3
Interest on bank loans wholly repayable within five years	214	59
Interest on finance leases	–	2
Others	6	–
	233	64

6. PROFIT BEFORE TAX

Profit before tax was determined after charging/(crediting) the following:

	Six months ended 30 September	
	2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'000
Depreciation	**4,441**	2,158
Amortisation of prepaid land lease payments	**78**	45
Net loss on disposal of fixed assets	**–**	425
Provision against/(Write-back of provision) slow-moving inventories	**674**	(2,671)
Rental expenses under operating leases in respect of land and buildings:		
Minimum lease payments	**33,734**	27,689
Contingent rents	**2,584**	2,391
	36,318	30,080
Staff costs (including directors' emoluments)		
Wages, salaries and other benefits	**34,763**	23,869
Pension scheme contributions	**1,316**	840
	36,079	24,709
Loss on disposal/write-offs of trademarks	**17**	123
Amortisation of trademarks	**200**	187

7. TAX

	Six months ended 30 September	
	2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'000
Current – Hong Kong	**3,669**	4,160
Current – Elsewhere	**223**	75
Deferred	**(1,078)**	(343)
Tax charge for the period	**2,814**	3,892

Hong Kong profits tax has been provided at a rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere had been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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. Two of these three subsidiaries did not generate any assessable profits for the period while the other one remains exempt from income tax as it was the first profitable year of its operations.

No Macau profits tax has been provided as the Macau subsidiary of the Company is exempted from Macau Complementary Tax (2004: Nil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the parent for the period of HK$17,639,000 and the weighted average number of 325,513,115 ordinary shares in issue during the period. The weighted average number of ordinary shares is calculated based on the 246,000,000 shares deemed to have been in issue at the beginning of the current and prior periods.

The comparative basic earnings per share is calculated based on the profit attributable to equity holders of the parent for the period of HK$17,548,000 and an aggregate of 246,000,000 shares comprising 1,000,000 shares in issue immediately after completion of the Group Reorganisation and 245,000,000 shares issued upon completion of the capitalisation issue, which were deemed to have been in issue since 1 April 2004.

No diluted earnings per share has been presented since the Company does not have any dilutive events at the balance sheet dates.

9. DIVIDEND

	Six months ended 30 September	
	2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'000
Special interim – HK2.0 cents (2004: Nil) per ordinary share*	7,013	–
Interim – HK2.5 cents (2004: Nil) per ordinary share	8,766	–
	15,779	–

* The special interim dividend was distributed out of the contributed surplus of the Company arising as a result of the Group Reorganisation.

10. INVENTORIES

	30 September 2005 (Unaudited) HK$'000	31 March 2005 (Audited) HK$'000
Raw materials	13,525	13,995
Work in progress	6,658	3,216
Finished goods	79,008	47,239
	99,191	64,450

11. TRADE AND BILLS RECEIVABLES

Retail sales are made on cash terms or from credit cards 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 and bills receivables as at the balance sheet date, based on invoice date, is as follows:

	30 September 2005 (Unaudited) HK$'000	31 March 2005 (Audited) HK$'000
Current – 90 days	11,148	10,106
91 – 180 days	292	199
181 – 365 days	85	166
Total	11,525	10,471

12. CASH AND CASH EQUIVALENTS

	30 September 2005 (Unaudited) HK$'000	31 March 2005 (Audited) HK$'000
Cash and bank balances	59,713	26,518
Non-pledged time deposits with original maturity of less than three months	60,723	–
Non-pledged time deposits with original maturity of over three months	3,900	3,900
	124,336	30,418

13. TRADE AND BILLS PAYABLES

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

	30 September 2005 (Unaudited) HK$'000	31 March 2005 (Audited) HK$'000
Current – 90 days	**18,923**	7,870
91 – 180 days	**177**	4
Total	**19,100**	7,874

14. SHARE CAPITAL

Shares

	30 September 2005 (Unaudited) HK$'000	31 March 2005 (Audited) HK$'000
Authorised:		
2,000,000,000 (31 March 2005: 1,000,000) ordinary shares of HK$0.1 each	**200,000**	100
Issued and fully/nil paid:		
350,650,000 (31 March 2005: 200,000) ordinary shares of HK$0.1 each	**35,065**	–

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 30 September 2005:

	Notes	Number of ordinary shares of HK$0.1 each	Nominal value of ordinary shares HK$'000
Authorised:			
Upon incorporation	*(a)*	1,000,000	100
Increase in authorised share capital	*(c)(i)*	1,999,000,000	199,900
As at 30 September 2005		2,000,000,000	200,000

	Notes	Number of ordinary shares of HK$0.1 each	Nominal value of ordinary shares HK$'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 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 30 September 2005		350,650,000	35,065

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 during the period 1 April 2005 to 30 September 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

On 22 April 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.

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

15. 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:

	30 September 2005 (Unaudited) HK$'000	31 March 2005 (Audited) HK$'000
Within one year	**64,941**	61,624
In the second to fifth year, inclusive	**37,451**	46,036
	102,392	107,660

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 30 September 2005, neither the Group, nor the Company had any significant commitments.

16. CONTINGENT LIABILITIES

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

	30 September 2005 (Unaudited) HK$'000	31 March 2005 (Audited) HK$'000
Bank guarantees given in lieu of utility and property rental deposits	**2,763**	3,484

17. RELATED PARTY TRANSACTIONS

(a) **Transactions with related parties**

	Six months ended 30 September	
	2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'000
Transactions with Kai Yip*:		
Purchase of goods	**–**	27,028
Purchase of decoration materials	**–**	95
Rental expenses paid to a minority shareholder	**21**	–
Purchases of computer equipment from a related company	**806**	690
Computer system maintenance charges paid to a related company	**794**	437

* On 1 February 2005, Firstcity Pacific Limited, a wholly-owned subsidiary 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 had been included in the 2005 Annual Report of the Company. The transactions with Kai Yip were discontinued as related party transactions when Kai Yip became a subsidiary of the Group on 1 February 2005.

(b) Balances with related parties

	30 September 2005 (Unaudited) HK$'000	31 March 2005 (Audited) HK$'000
Balance due to a related company	**8**	23

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 close family member of a company's director has beneficial interests.

(c) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'000
Short term employee benefits	**1,946**	2,458
Post-employment benefits	**24**	24
Total compensation paid to key management personnel	**1,970**	2,482

18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Directors on 14 December 2005.

management discussion and analysis

During the period under review, the Group achieved steady growth in turnover with profit maintained at a satisfactory level. Its gross margin continued to improve resulting from increase in gross margin on wholesale and franchise businesses. However, retail network expansion and brand building efforts increased operating expenses. Hence, net profit just slightly grew by 0.5%.

As at 30 September 2005, the Group's total number of outlets increased to 72 (31 March 2005: 55), comprising 57 self-operated retail outlets (31 March 2005: 47) and 15 franchise outlets (31 March 2005: 8).

BUSINESS AND FINANCIAL REVIEW

Retail operation

The Group's retail operation in Hong Kong and Taiwan remain as its core business accounting for about 85.9% of the Group's turnover. Sales from the retail operation achieved satisfactory growth of 14.0% to about HK$155.3 million for the six months ended 30 September 2005 (2004: HK$136.2 million). The healthy sales growth was mainly contributed by progressive expansion of the Group's retail network as stated in the business plan of the Group's Listing Prospectus. As at 30 September 2005, the Group self operated 42 retail outlets in Hong Kong under the tradenames of "BAUHAUS", "TOUGH", "SALAD", "80/20" and "LIBRE" and 15 retail outlets in Taiwan under the tradenames of "TOUGH" and "SALAD", representing an increase of 10 outlets from 47 as at 31 March 2005 to 57 as at 30 September 2005.

Wholesale operation

The Group has been actively exploring overseas markets. In July 2005, the Group participated in international fashion trade shows, "Bread and Butter", in Barcelona, Spain and Berlin, Germany. Riding on increased awareness and enhanced image of the Group's brands in overseas markets, and a continuously expanding global distribution network, turnover from the wholesale operation surged by about 104.5% reaching about HK$18.0 million during the period under review (2004: HK$8.8 million). As at 30 September 2005, the Group has sold goods to about 18 countries spanning from Southeast Asia, the Middle East, Europe to America. Japan is the Group's largest overseas market in term of revenue during the period. Turnover attributable to the Japan market amounted to about HK$6.3 million during the six months ended 30 September 2005 (2004: HK$5.4 million), representing an increase of about 16.7%.

Franchise business

The Group's franchise business expanded substantially and achieved encouraging results during the review period. With the franchise network expanding continuously, turnover from the business segment during the six months ended 30 September 2005 recorded an impressive growth of 100.0% reaching about HK$7.4 million (2004: HK$3.7 million) and gross margin also improved. As at 30 September 2005, the Group has entered into franchise agreements with independent franchisees to operate 15 franchised stores in the PRC and Macau.

Segment information

Detailed segment information in respect of the Group's turnover and contribution to profit before tax are shown in note 3 to the condensed consolidated financial statements.

Gross profit

During the period under review, the Group recorded gross profit of about HK$116.9 million (2004: HK$94.6 million). Excluding net write back of stock provision of HK$2.7 million and stock provision made of HK$0.7 million during the six months ended 30 September 2004 and 2005 respectively, the adjusted gross margin rose 3.3% from about 61.8% in last corresponding period to about 65.1% in the current review period. With retail operation sustaining a stable gross margin, the increase in overall gross margin was mainly attributable to the improvement in gross margin of the wholesale and franchise businesses.

Operating expenses

During the period under review, the Group devoted significant efforts to brand building and strengthening both its local and international sales and distribution networks. The Group's operating expenses jumped by about 34.2% to about HK$99.2 million during the six months ended 30 September 2005 (2004: HK$73.9 million).

To support long term healthy growth of its business, the Group must invest in establishing and maintaining effective distribution channels and a competitive sales force. As a result of increased investment in human resources, staff cost increased substantially by about 46.2% to about HK$36.1 million during the six months ended 30 September 2005 (2004: HK$24.7 million). Rental expenses also surged markedly by about 20.6% to about HK$36.3 million during the period under review (2004: HK$30.1 million) mainly due to addition of new retail outlets. The recovering local economy has been pushing up rental cost, but the Group has been prudent in adding outlets. The rental expense increment was kept in line with sales growth and was about 20.1% of turnover during the six months ended 30 September 2005 (2004: 20.2%). Besides, with enhanced marketing efforts and participation in international fashion trade shows, advertising and promotion expenses rose by about 153.8% to about HK$3.3 million for 2005 (2004: HK$1.3 million).

Net profit

The Group's net profit attributable to shareholders reached about HK$17.6 million for the six months ended 30 September 2005, slightly up about 0.5% from HK$17.5 million in the previous corresponding period. The net profit margin dropped from about 11.8% in the first half financial year of 2004/05 to about 9.8% in 2005/06. However, by excluding net write back of stock provision of HK$2.7 million and stock provision made of HK$0.7 million during the six months ended 30 September 2004 and 2005 respectively, the adjusted net profit margin slightly rose 0.1% from about 10.0% in the prior corresponding period to about 10.1% in the current review period.

Although the sales growth has not yet pushed up the net profit significantly mainly because of additional operating expenses incurred by newly opened stores during the period, pre-opening spending for new stores in the fourth quarter of 2005 and increased brand building efforts to support long term development, the Directors believe that the investment on establishment and expansion of sales channels will drive future growth in both turnover and net profit.

CAPITAL STRUCTURE

As at 30 September 2005, the Group had net assets of approximately HK$257.9 million (31 March 2005: HK$143.4 million), comprising non-current assets of about HK$68.0 million (31 March 2005 (restated): HK$64.8 million), net current assets of about HK$190.8 million (31 March 2005 (restated): HK$80.1 million) and non-current liabilities of about HK$0.9 million (31 March 2005: HK$1.5 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2005, the Group had cash and cash equivalents of approximately HK$124.3 million (31 March 2005: HK$30.4 million) and total interest-bearing bank borrowings of approximately HK$4.6 million (31 March 2005: HK$7.3 million), of which approximately HK$4.1 million are repayable within one year and the remaining HK$0.5 million are repayable beyond one year. As at 30 September 2005, the Group had aggregate banking facilities of approximately HK$12.4 million (31 March 2005: HK$15.4 million) comprising interest-bearing bank overdraft and borrowings, utility guarantees and import and export facilities, of which HK$3.3 million was unutilised at the balance sheet date.

The Group's gearing ratio as at 30 September 2005, representing a percentage of total interest-bearing borrowings to total assets, amounted to about 1.5% (31 March 2005: 3.8%).

CASH FLOWS

For the period ended 30 September 2005, net cash outflow from operating activities was about HK$7.4 million (six months ended 30 September 2004: inflow of HK$8.1 million). The change was mainly attributable to increase in inventory level as a result of stocking of more goods to support the expansion of distribution networks and early commencement of fall/winter season sales in 2005. Net cash outflow from investing activities dropped from HK$10.1 million in 2004 to HK$6.8 million in 2005 mainly due to a drop in capital expenditure. During the period under review, the Group received net proceeds from its initial public offering of new shares amounted to approximately HK$112.4 million and paid a special interim dividend of HK$7.0 million. Net cash inflow from financing activities as well as overall cash level increased significantly during the period under review.

SECURITY

As at 30 September 2005, the Group's bank borrowings were secured by mortgages over the Group's prepaid land lease payments and leasehold buildings with aggregate carrying value of approximately HK$10.6 million (31 March 2005: HK$10.7 million).

CAPITAL COMMITMENT

As at 30 September 2005, neither the Group, nor the Company had any significant capital commitments.

CONTINGENT LIABILITIES

As at 30 September 2005, the Group had contingent liabilities in respect of bank guarantees given in lieu of utility and rental deposits amounting to approximately HK$2.8 million (31 March 2005: HK$3.5 million).

HUMAN RESOURCES

Including all directors of the Company, the Group had a total of 1,129 employees as at 30 September 2005 (31 March 2005: 842). To attract and retain high performance staff, the Group provides competitive remuneration packages including performance bonuses, mandatory provident fund, insurance and medical coverage as well as entitlements to share options to be granted under a share option scheme based on employees' performance, experience and prevailing market rate. Remuneration packages are reviewed on a regular basis. Regarding staff development, the Group provides regular in-house training to retail staff and subsidies for external training programme.

FOREIGN EXCHANGE RISK MANAGEMENT

The majority of the Group's sales and purchases during the period were settled in Hong Kong dollars. The Group is exposed to minimal foreign currency exchange risk and does not anticipate future currency fluctuations to cause material operational difficulties or liquidity problems. However, the Group will monitor its foreign exchange position and, when necessary, will hedge its foreign exchange exposure arising from contractual commitments to purchase apparel from overseas suppliers.

USE OF PROCEEDS

The proceeds from the Company's issue of new shares in May 2005, less listing expenses, amounted to about HK$112.4 million. During the six months ended 30 September 2005, net proceeds were utilised as follows:

	Per Prospectus HK$'000	Utilised HK$'000	Balances as at 30 September 2005 HK$'000
Expansion of distribution networks	46,000	(7,758)	38,242
Expansion and upgrade of production facilities	15,000	(2,630)	12,370
Development of "80/20" brandname	14,000	(1,437)	12,563
Marketing of in-house brandname	13,000	(1,861)	11,139
Diversification into high-end fashion market	4,000	(3,594)	406
Enhancement of in-house design and merchandising team	2,000	(490)	1,510
Sourcing of goods and fabrics	8,000	(8,000)	–
General working capital	10,400	(10,400)	–
	112,400	(36,170)	76,230

The unutilised balance was placed in short term bank deposits.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisitions or disposal of subsidiaries and associated companies by the Group for the period under review.

DISCLOSURES UNDER RULES 13.13 TO 13.19

There were no advance to entity, no financial assistance, and no guarantees to affiliated companies of the Company as at 30 September 2005 which were discloseable under Rules 13.13 and 13.19 of the Listing Rules.

PROSPECTS

The Directors are optimistic about the Group's business outlook for the rest of fiscal year 2005/06. In addition to overall rental costs stabilizing, the Group has adopted a strategy of locating most of its self-operated retail stores in large shopping malls that offer turnover-linked rental arrangements. The strategy has helped to mitigate the effect of rental increase, keeping rental costs at acceptable levels. It remains the Group's target to maintain its rental expenditure at about 20% of the Group's turnover. Subsequent to the balance sheet date up to the date of this report, the Group has opened 5 additional retail stores for its own in-house brand names, namely 3 "BAUHAUS" stores, 1 "SALAD" specialty store and 1 "80/20" specialty store.

It is the Group's tradition to hold a mega warehouse sale in Hong Kong every other year. The next one will be at the end of 2005. As the economic and consumer sentiment in Hong Kong continue to improve, the Group expects good results and meaningful contribution from this year's mega sale to its retail revenue.

For its franchise business in the PRC market, the Group will continue to adhere to a prudent investment and expansion strategy. As they are required to comply with stringent quality, pricing and inventory standards, the Group's franchise stores were systematically managed. As its in-house brands started to gain increasing market recognition in the PRC, the Group achieved huge success in network expansion in the first half of the financial year. It will seek to further expand its franchise network in the PRC market that promises immense potential.

Furthermore, the Group will continue to expand its wholesale operation worldwide. Through active participation in trade shows, the Group has successfully positioned its products in the upper-end market to boost brand reputation. In Europe and Australia, an increasing number of retail agents have shown interest in opening outlets under the Group's in-house brand names. In the second half of the financial year, the Group will be participating in more trade shows in Europe, namely the "Pitti Uomo" in Florence, "Bread and Butter" in Berlin and in Barcelona, and "Who's Next" in Paris to promote the "TOUGH" brand. Riding on the satisfactory response from customers around the world, the management believes the sales proportion of the wholesale business will continue to increase, further enhancing the Group's overall margin level.

dividends

On 6 July 2005, the Directors of the Company declared a special interim dividend payment of HK2.0 cents per ordinary share (2004: Nil), which was made out of the contributed surplus of the Company arising as a result of the Group Reorganisation. The special interim dividend was paid on 23 September 2005.

In addition, the Directors declared to pay an interim dividend of HK2.5 cents per ordinary share (2004: Nil) for the six months ended 30 September 2005 payable on or about 27 January 2006 to shareholders whose names appear on the register of members of the Company on 13 January 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 11 January 2006 to Friday, 13 January 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong (if on or before Monday, 2 January 2006) or at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (if after Monday, 2 January 2006) not later than 4:30 p.m. on Tuesday, 10 January 2006.

INTERESTS OF DIRECTORS IN SECURITIES

As at 30 September 2005, the interests or short positions of the Company's directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules, were as follows:

(a) Long positions in shares of the Company

Name of director	Long/short position	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Through a discretionary trust/as beneficiary or trustee or founder of trust	Total	Approximate percentage of the Company's issued share capital
Mr. Wong Yui Lam	Long position	2,100,000 *(note 1)*	37,146,000 *(note 1)*	33,702,000 *(note 1)*	171,708,000 *(note 1)*	244,656,000	69.77%
Madam Tong She Man, Winnie	Long position	2,100,000 *(note 2)*	33,702,000 *(note 2)*	37,146,000 *(note 2)*	171,708,000 *(note 2)*	244,656,000	69.77%

Notes:

1. 2,100,000 shares are jointly held by Mr. Wong Yui Lam and his spouse, Madam Tong She Man, Winnie, both being executive directors of the Company. 33,702,000 shares are held by Wonder View Limited ("Wonder View"), the entire issued share capital of which is beneficially owned by Mr. Wong Yui Lam. 171,708,000 shares are held by Huge Treasure Investments Limited ("Huge Treasure") as trustee of The Wong & Tong Unit Trust, all units of which are owned by The Wong & Tong Family Trust, a discretionary trust established by Mr. Wong Yui Lam and Madam Tong She Man, Winnie. Mr. Wong Yui Lam is also deemed to be interested in the 37,146,000 shares through the interest of his spouse, Madam Tong She Man, Winnie.

2. 2,100,000 shares are jointly held by Madam Tong She Man, Winnie and her spouse, Mr. Wong Yui Lam, both being executive directors of the Company. 37,146,000 shares are held by Great Elite Corporation ("Great Elite"), the entire issued share capital of which is beneficially owned by Madam Tong She Man, Winnie. 171,708,000 shares are held by Huge Treasure as trustee of The Wong & Tong Unit Trust, all units of which are owned by The Wong & Tong Family Trust, a discretionary trust established by Mr. Wong Yui Lam and Madam Tong she Man, Winnie. Madam Tong She Man, Winnie, is also deemed to be interested in the 33,702,000 shares through the interest of her spouse, Mr. Wong Yui Lam.

(b) Long positions in shares of associated corporations

Name of associated corporation	Name of directors	Capacity	Number of shares in the associated corporation	Percentage of shareholding in the associated corporation
Huge Treasure (as trustee of The Wong & Tong Unit Trust)	Mr. Wong Yui Lam	Beneficial owner	1 share of US$1 Long position	50%
	Madam Tong She Man, Winnie	Beneficial owner	1 share of US$1 Long position	50%
Tough Jeans Limited	Mr. Wong Yui Lam	Beneficial owner *(note 1)*	3 non-voting deferred shares of HK$1 each Long position	60% of the issued non-voting deferred shares
	Madam Tong She Man, Winnie	Beneficial owner *(note 1)*	2 non-voting deferred shares of HK$1 each Long position	40% of the issued non-voting deferred shares
Bauhaus Holdings Limited	Mr. Wong Yui Lam	Beneficial owner *(note 1)*	1 non-voting deferred shares of HK$1 Long position	50% of the issued non-voting deferred shares
	Madam Tong She Man, Winnie	Beneficial owner *(note 1)*	1 non-voting deferred shares of HK$1 Long position	50% of the issued non-voting deferred shares

Notes:

1. Mr. Wong Yui Lam and Madam Tong She Man, Winnie are non-voting shareholders of these companies. The shareholders of these non-voting deferred shares are not entitled to any dividends and have no voting rights.

Save as disclosed above, as at 30 September 2005, none of the directors of the Company had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS SCHEME

On 22 April 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. Further details of the Scheme have been disclosed in note 14 to the condensed consolidated financial statements.

During the six months ended 30 September 2005, no option has been granted or agreed to be granted pursuant to the Scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2005, the following persons or companies, not being a director or chief executive of the Company, who had interests or short positions in shares or underlying shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or will be directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, were as follows:

Name of shareholder	Long/short position	Directly beneficially owned	Through discretionary trust/as beneficiary or trustee of trust	Total	Approximate percentage of the Company's issued share capital
Huge Treasure *(note 1)*	Long position	171,708,000	–	171,708,000	48.97%
East Asia International Trustees Limited ("EAIT") *(note 2)*	Long position	–	171,708,000	171,708,000	48.97%
Wonder View *(note 3)*	Long position	33,702,000	–	33,702,000	9.61%
Great Elite *(note 4)*	Long position	37,146,000	–	37,146,000	10.59%

Notes:

1. The 171,708,000 shares are held by Huge Treasure as trustee of The Wong & Tong Unit Trust, all units of which are owned by The Wong & Tong Family Trust established by Mr. Wong Yui Lam and Madam Tong She Man, Winnie, for the benefit of the issue of Mr. Wong Yui Lam and Madam Tong She Man, Winnie.

2. EAIT is a licensed trustee in the British Virgin Islands and acting as trustee of The Wong & Tong Family Trust. By virtue of its capacity as trustee of The Wong & Tong Family Trust, EAIT is deemed to be interested in the shares held by Huge Treasure (as trustee of The Wong & Tong Unit Trust).

3. Wonder View is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Mr. Wong Yui Lam, an executive director and the chairman of the Company.

4. Great Elite is a company incorporated in the British Virgin Islands, the entire issued share capital of which is owned by Madam Tong She Man, Winnie, an executive director of the Company.

Save as disclosed above, the Company has not been notified by any person, other than the directors of the Company disclosed above, who has an interest or short position in the shares or underlying shares of the Company pursuant to Section 336 of the SFO as at 30 September 2005.

CORPORATE GOVERNANCE

The Company has complied with the Code Provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2005 except that the Company does not have a separate Chairman and Chief Executive Officer and Mr. Wong Yui Lam ("Mr. Wong") currently holds both positions. Code Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Being the founder of the Group, Mr. Wong has substantial experience in the fashion industry. The Board considers that the present structure provides the Group with strong and consistent leadership which facilitate the development of the Group's business strategies and execution of its business plans in a most efficient and effective manner. The Board believes that it is the best interest of the shareholders that Mr. Wong continues to assume the roles of the Chairman and Chief Executive Officer.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 (the "Model Code") of the Listing Rules as the Company's code of conduct for dealing in securities of the Company by the directors. Based on specific enquiry with the Company's directors, all directors confirmed that they have complied with the required standards as set out in the Model Code.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 September 2005.

other information

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Audit Committee comprising three independent non-executive directors was formed on 22 April 2005 with written terms of reference. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and has also discussed auditing, internal control and financial reporting matters, including the review of the interim financial report for the six months ended 30 September 2005.

The interim financial report for the six months ended 30 September 2005 is unaudited, but has been independently reviewed by Ernst & Young, the Company's independent auditors, in accordance with Statement of Auditing Standards 700 issued by the Hong Kong Institute of Certified Public Accountants.

REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

The Company has established the remuneration committee and the nomination committee on 22 April 2005 with written terms of references.

The remuneration committee comprises three independent non-executive directors, namely, Mr. Chu To Ki, Mr. Mak Wing Kit and Dr. Wong Yun Kuen. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the directors and senior management of the Company.

The nomination committee also comprises three independent non-executive directors, namely, Mr. Chu To Ki, Mr. Mak Wing Kit and Dr. Wong Yun Kuen. The nomination committee is mainly responsible for making recommendations to the board of directors on appointment of directors and management of board succession.

By Order of the Board
Wong Yui Lam
Chairman

Hong Kong, 14 December 2005