

# report of the auditors



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

We have audited the pro forma consolidated financial statements on pages 40 to 80 which have been prepared in accordance with the accounting policies set out in note 4 to the pro forma consolidated financial statements which comply with accounting principles generally accepted in Hong Kong, except that the effects of the group reorganisation entered into by the companies now comprising the Group (the "Group Reorganisation") after the balance sheet date have been accounted for using merger accounting which is not in accordance with Statement of Standard Accounting Practice 27 "Accounting for group reconstructions" ("SSAP 27") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This is because although the Group Reorganisation meets the definition of a group reconstruction under SSAP 27 because it is a business combination resulting from transactions among companies under common control, the SSAP specifies that financial statements should not incorporate a combination which occurs after the balance sheet date being reported on.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of the pro forma consolidated financial statements in accordance with the accounting policies as set out in note 4 to the pro forma consolidated financial statements. In preparing such pro forma consolidated financial statements it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those pro forma consolidated financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the HKICPA. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the pro forma consolidated financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the pro forma consolidated financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the pro forma consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

## OPINION

In our opinion the pro forma consolidated financial statements for the year ended 31 March 2005 have been properly prepared in accordance with the accounting policies set out in note 4 to the pro forma consolidated financial statements and the disclosure requirements of the Hong Kong Companies Ordinance.

**Ernst & Young**  
*Certified Public Accountants*

Hong Kong  
6 July 2005