



BAUHAUS ANNOUNCES 2006/07 INTERIM RESULTS

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SALES GREW BY 21.5%
NET PROFIT INCREASED BY 18.0%

Highlights

- Turnover increased by 21.5% to HK\$219.5 million
- Net profit increased by 18.0% to HK\$20.8 million
- Earnings per share were HK 5.9 cents
- The Directors declared an interim dividend of HK 2.5 cents

(Hong Kong, 15 December 2006) – **Bauhaus International (Holdings) Limited** (“Bauhaus” or “the Group”) (stock code: 483) today announced its interim results for the six months ended 30 September 2006.

Financial Review

During the period under review, the Group recorded turnover of approximately HK\$219.5 million, representing an increase of 21.5% compared to the same period last year. Net profit attributable to shareholders increased by 18.0% to approximately HK\$20.8 million. Basic earnings per share were HK 5.9 cents (FY2005/06: HK 5.4 cents).

The Board of Directors declared the payment of an interim dividend of HK 2.5 cents per ordinary share for the six months ended 30 September 2006 (FY2005/06: HK 2.5 cents).

Mr. George Wong, Chairman of Bauhaus, said, “I am delighted to announce that Bauhaus achieved satisfactory financial results despite keen competition among industry players. Our constant efforts in regional development, cost control and introducing quality styles and brandnames to our customers have resulted in stronger brand recognition and improved profitability.”

Retail Operation

The Group’s retail operation grew a strong 17.7% to about HK\$182.9 million during the six months ended 30 September 2006 from about HK\$155.3 million in the prior corresponding period. Retail operation in Hong Kong, which accounted for about 75.6% of the Group’s turnover, sustained double-digit growth of about 14.5%. Growth in Hong Kong was driven by the Group’s successful brand building and network optimization strategy which had improved overall operating efficiency.

In Taiwan, despite weak domestic consumer sentiment, the Group's performance excelled the industrial average with a jump of 59.1% in retail sales, attributable to the enhanced management effort in offering extensive sales training and network expansion. In September 2006, the Group opened its first PRC self-managed "TOUGH" retail outlet in Shanghai. As at 30 September 2006, the Group self managed 46 retail outlets in Hong Kong under the tradenames of "BAUHAUS", "TOUGH", "SALAD", "80/20" and "LIBRE", 18 retail outlets in Taiwan under the tradenames of "TOUGH", "SALAD" and "80/20" and 1 "TOUGH" outlet in Shanghai.

Wholesale Operation

During the review period, turnover of the Group's wholesale operation increased by 31.1% to HK\$23.6 million (FY2005/06: HK\$18.0 million), mainly contributed by the encouraging sales growth in Japan by about 69.8%. In the past, the Group sold only its in-house brandname accessories and bags to the Japan market. During the review period, however, the Group entered into a 5-year apparel distribution agreement with a major Japanese fashion retail chain to distribute the "TOUGH" brand products, marking its official entry into the Japan apparels market. For overseas, the Group continued to participate in international fashion shows and is streamlining certain distribution channels to improve sales efficiency. The wholesale business now covers over 20 countries spanning Southeast Asia, the Middle East, Europe and America.

Franchise Business

With increasing market demand and fast expanding franchise network in China, turnover of this segment significantly increased by 75.7%, amounting to HK\$13.0 million for the review period. After years of dedicated efforts, "TOUGH" is now an acclaimed brand across the country, with a total of 20 franchise stores being operated in the PRC and Macau as at 30 September 2006.

Prospects

The Group is optimistic towards its growth momentum in the second half of the financial year, and will continue to control cost and prudently select new store locations with the aim to maintain overall operating expenses at a consistent and reasonable proportion to total turnover.

With an aim of maintaining sustainable growth for the well-established retail business, the Group continued its network expansion in Hong Kong. It added a "TOUGH" shop in Causeway Bay, a "SALAD" shop in Tai Koo Shing, as well as a brand new concept store "BAUHAUS ELITE" targeting the high-end trendy wear segment in Harbour City, Tsim Sha Tsui in the fourth quarter 2006. In Taiwan, one new counter at Sogo Department Store will be opened in the first quarter of 2007.

In Mainland China, the Group has opened or confirmed to open 6 'TOUGH' franchise stores in Beijing, Wuhan, Wenzhou, Chengdu, Chongqing and Macau in late 2006, and will continue to extend with prudence its franchise business coverage in the country. Furthermore, encouraged by the smooth operation of its first Shanghai retail shop, the management will open 2 "TOUGH" and 1 "SALAD" outlets in Shanghai in the first quarter of 2007.

To further expand its wholesale operation worldwide, the Group will continue to strengthen existing markets and explore new markets. The Group's Japanese partner will open the first "TOUGH" apparel shop in Omotesando, Tokyo, Japan in the first quarter of 2007. A prime high-end fashion district in Tokyo, Omotesando is the best place for introducing the "TOUGH" brand to the fashionable in Japan.

Mr. Wong concluded, "Looking ahead, we will continue to strengthen our brand image and distribution network so as to realize our goal of becoming a leading trendy fashion house and bringing quality fashion to different parts of the world. With the "TOUGH" brand having forged strong foothold across the globe, the "SALAD" brand will be our next focus. Backed by stable growth in our well-established markets like Hong Kong and Taiwan, we can comfortably paced entry of our business into profitable markets around the world."

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About Bauhaus International (Holdings) Limited

Bauhaus is principally engaged in the design, manufacture, wholesale and retail sales of apparel, bags and accessories under its own "TOUGH", "SALAD" and "80/20" brands. It also sells apparel of third-party fashion brands. The Group runs self-managed retail outlets in Hong Kong, Taiwan and Mainland China, franchise outlets in Mainland China and Macau, and distributes the "TOUGH" brand products to over 20 countries around the world. Riding on its extensive sales network in the region and quality products, Bauhaus aims to boost the status of its own brands in the international market.

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