



FX CREATIONS INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

First Quarter Report 2002

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This report, for which the directors of FX Creations International Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to FX Creations International Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- The shares of the Company were successfully listed on GEM on 21 May 2002.
- For the three months ended 30 June 2002, the Group's turnover increased by approximately 12%, as compared to the corresponding period last year to approximately HK\$12.2 million and achieved a gross profit margin of approximately 60%.
- The Board of Directors does not recommend the payment of an interim dividend for the three months ended 30 June 2002.

RESULTS

The board of directors (the “Directors”) of FX Creations International Holdings Limited (the “Company”) herein presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 30 June 2002 together with the comparative unaudited figures for the corresponding period in 2001 as follows:

	Notes	2002 HK\$'000	2001 HK\$'000
TURNOVER	2	12,156	10,849
Cost of goods sold		(4,838)	(3,736)
Gross profit		7,318	7,113
Other revenue		71	115
Selling and distribution costs		(3,975)	(4,321)
Administrative expenses		(2,770)	(2,686)
PROFIT FROM OPERATING ACTIVITIES		644	221
Finance costs		(138)	(123)
PROFIT BEFORE TAX		506	98
Tax	3	(98)	(16)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		408	82
DIVIDEND		—	—
EARNINGS PER SHARE	4		
Basic		HK0.12 cent	HK0.03 cent
Diluted		N/A	N/A

Notes:

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 10 January 2002 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands.

Pursuant to a reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in May 2002, the Company became the holding company of the companies now comprising the Group on 2 May 2002. This was accomplished by the Company acquiring the entire issued share capital of Resource Base Enterprises Limited ("RBEL"), the then holding company of other subsidiaries, in consideration for the allotment and issue of 5,599,999 shares of HK\$0.01 each in the share capital of the Company, credited as fully paid, to Wise New Management Limited ("WNML"), the former shareholder of RBEL. Further details of the Group Reorganisation are set out in the Company's prospectus dated 8 May 2002 (the "Prospectus"). The Shares of the Company (the "Shares") were listed on GEM on 21 May 2002.

The unaudited consolidated/combined results have been prepared using the merger basis of accounting as a result of the Group Reorganisation. On this basis, the Company has been treated as the holding company of its subsidiaries since their respective dates of incorporation rather than from the date of their acquisition pursuant to the Group Reorganisation. Accordingly the unaudited consolidated/combined results of the Group for the three months ended 30 June 2001 and 2002 included the results of the Company and its subsidiaries with effect from 1 April 2001 as if the current Group structure has been in existence throughout the periods.

In the opinion of the Directors, the unaudited consolidated/combined results prepared on the above basic present fairly the results of the Group as a whole.

All significant transactions and balances within the Group have been eliminated on consolidation/combination.

2. TURNOVER

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

3. TAX

Hong Kong profits tax for the three months ended 30 June 2002 has been provided at the rate of 16% (three months ended 30 June 2001: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profit assessable overseas have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

4. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 30 June 2002 is based on the unaudited net profit from ordinary activities attributable to shareholders for the three months ended 30 June 2002 of approximately HK\$408,000 (three months ended 30 June 2001: HK\$82,000) and the weighted average of 346,925,000 shares in issue during the three months ended 30 June 2002 (pro forma number of shares in issue for the three months ended 30 June 2001: 280,000,000).

Diluted earnings per share for the three months ended 30 June 2001 and 2002 have not been disclosed as no diluting events existed during those periods.

5. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2002 (three months ended 30 June 2001: Nil).

6. RESERVES

	Share premium	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2001	—	1,782	1,782
Net profit for the period	—	82	82
At 30 June 2001	—	1,864	1,864
At 1 April 2002	—	1,702	1,702
Issue of shares to public	20,250	—	20,250
Issue of shares to the pre-IPO Investors	4,867	—	4,867
Capitalisation on issue of shares	(3,126)	—	(3,126)
Share issue expenses	(8,259)	—	(8,259)
Net profit for the period	—	408	408
At 30 June 2002	13,732	2,110	15,842

FINANCIAL REVIEW

Results

During the three months ended 30 June 2002, the Group recorded a turnover of approximately HK\$12,156,000 (three months ended 30 June 2001: approximately HK\$10,849,000), an increase of approximately 12% as compared to the previous corresponding period. The turnover for the three months ended 30 June 2002 comprised retail sales and wholesale sales which accounted for approximately 59% and 41% (three months ended 30 June 2001: 73% and 27%) of the total turnover respectively.

The increase in turnover was mainly attributable to the increase in sales to wholesalers (agents and distributors) due to the increase in the number of agents and distributors, and sales to existing agents and distributors.

The gross profit margin decreased to 60% from 66% in the previous corresponding period. The decrease was due to the increase in the proportion of sales to wholesalers (agents and distributors) which have lower gross profit margins compared to sales to retailers.

The net profit attributable to shareholders for the three months ended 30 June 2002 amounted to approximately HK\$408,000 (three months ended 30 June 2001: approximately HK\$82,000), an increase of approximately 5 times compared to the previous corresponding year. The increase was mainly attributable to lower selling and distribution costs as a result of better cost control.

BUSINESS REVIEW AND PROSPECTS

The Group has formulated future plans to promote **FX CREATIONS** as a brandname for stylish bags and lifestyle consumers products in the world market. The key strategic initiatives that the Group plans to implement in the near future are as follows:

To promote greater awareness of the FX CREATIONS brandname

To achieve this, the Group will continue to conduct advertising and promotional campaigns to enhance awareness of the **FX CREATIONS** brandname.

To expand its product range under the FX CREATIONS brandname

The Group intends to expand its product range such as developing professional office bags. Also, the Group will expand its product range through licensing its brandname to other types of products such as apparel.

To expand the geographical coverage of the Group's distribution network and to expand its retail outlets

The Group will approach potential agents in the markets such as the US, Europe and other countries in Asia. Also, the Group will expand new retail outlets in Hong Kong and Taiwan.

To manufacture its products

The Group will establish its own manufacturing capacity through a processing agent in the PRC. To achieve this goal, the Group intends to acquire plant, machinery and production facilities to work with a processing agent in the PRC.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2002, the interests of the directors in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were set out below:

		Type of interest	Number of issued ordinary shares held
Ng Pak To, Petto	Note	Corporate	280,000,000

Note: These shares represent a 70% equity interest in the Company and are held by WNML. The issued share capital of WNML is beneficially owned by Cashtram Associates Limited as to 45%, FX Creations (Holding) Inc. as to 30% and Forge Smart Investments Limited as to 25%. The issued share capital of Cashtram Associates Limited is owned as to 40%, 30%, 20% and 10% by Mr. Ng Pak To, Petto, Mr. Ho Kai Chung, David, Madam Ho Pui Lai and Mr. Tan Yu, Wally, respectively.

Save as disclosed above, as at 30 June 2002, none of the directors or their associates had any personal, family, corporate or other interest in the issued share capital of the Company or any of its associated corporations as defined in Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standard of dealings prescribed by the Rules Governing the Listing of Securities (the "Listing Rules") on GEM.

SUBSTANTIAL SHAREHOLDER

As at 30 June 2002, so far as the directors are aware, other than the interests of the directors as disclosed under the heading "Directors' interests in securities" above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance disclosed no person as having an interest of more than 10% of the nominal value of the Company's issued share capital.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of recognising significant contributions of specified participants including the employees of the Group to the growth of the Group, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate and give an incentive to these persons to continue to contribute to the Group's long term success and prosperity. The Scheme became effective on 21 May 2002 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

As at 30 June 2002, no share options have been granted under the Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from as disclosed under the heading "Directors interests in securities" and the transactions relating to the Group Reorganisation as disclosed above, at no time since the incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

PURCHASE, REDEMPTION OR SALES OF THE LISTED SECURITIES OF THE COMPANY

Since the listing of the Company on GEM on 21 May 2002 and up to 30 June 2002, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

COMPETING INTERESTS

None of the directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

INTEREST OF SPONSOR

As at 30 June 2002, Kingston Corporate Finance Limited (the "Sponsor"), its directors, employees or associates did not have any interest in the securities of the Company or of any members of the Group, or have any right to subscribe for or to nominate persons to subscribe for the securities of the Company or of any members of the Group.

Pursuant to the sponsor agreement entered into between the Company and the Sponsor, the Sponsor received, and will receive, fees for acting as the Company's retained sponsor for the period up to 31 March 2005.

AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 2 May 2002, with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Committee are to review and provide supervision over the financial reporting process and internal control system of the Group. The Committee comprises the two independent non-executive directors of the Company, Mr. Christopher Leu and Ms. Kau Man Wai, Leslie. The consolidated results of the Group for the three months ended 30 June 2002 have been reviewed by the Committee, who were of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures had been made.

By Order of the Board
Ng Pak To, Petto
Chairman

Hong Kong, 13 August 2002