

CREATIONS

ANNUAL REPORT 2006



FX CREATIONS INTERNATIONAL HOLDINGS LIMITED

豐盛創意國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(stock code: 8136)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors of countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ng Pak To, Petto (resigned on 19 April 2006)
Ong Chor Wei (resigned on 19 April 2006)
Ho Ka Chung, David (resigned on 3 May 2005)
Wong Wing Cheung, Peter
(appointed as Executive Director on 1 April 2006 and
as Chairman on 19 April 2006)
Chan Man Yin (appointed on 1 June 2005)
Chan Francis Ping Kuen
(appointed on 1 February 2006)

Non-Executive Director

Wong Wai Shan (resigned on 3 May 2005)

Independent Non-Executive Directors

Kau Man Wai, Leslie (resigned on 20 June 2005)
Christopher C. Leu (resigned on 20 June 2005)
Guo Jian (resigned on 4 July 2005)
Lee Kun Hung (appointed on 20 June 2005)
Wong Hou Yan, Norman (appointed on 20 June 2005)
Cheung Chi Hwa, Justin (appointed on 4 July 2005)

COMPLIANCE OFFICER

Ng Pak To, Petto (resigned on 19 April 2006)
Wong Wing Cheung, Peter
(appointed on 19 April 2006)

QUALIFIED ACCOUNTANT

Ong Chor Wei, ACA, CPA
(resigned on 1 February 2006)
Chan Francis Ping Kuen CA, CPA
(appointed on 1 February 2006)

COMPANY SECRETARY

Ong Chor Wei (resigned on 1 February 2006)
Chan Francis Ping Kuen
(appointed on 1 February 2006)

AUDIT COMMITTEE

Christopher C. Leu (resigned on 20 June 2005)
Kau Man Wai, Leslie (resigned on 20 June 2005)
Guo Jian (resigned on 4 July 2005)
Lee Kun Hung (appointed on 20 June 2005)
Wong Hou Yan, Norman (appointed on 20 June 2005)
(Committee Chairman)
Cheung Chi Hwa, Justin (appointed on 4 July 2005)

AUTHORISED REPRESENTATIVES

Ng Pak To, Petto (resigned on 1 April 2006)
Ong Chor Wei (resigned on 1 February 2006)
Wong Wing Cheung, Peter (appointed on 1 April 2006)
Chan Francis Ping Kuen
(appointed on 1 February 2006)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Workshop A6, 12th Floor, Block A
Hong Kong Industrial Centre
489-491 Castle Peak Road
Kowloon
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
P.O. Box 513GT
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

AUDITORS

Baker Tilly Hong Kong Limited
Certified Public Accountants

LEGAL ADVISOR

Michael Li & Co.

PRINCIPAL BANKERS

Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

8136

Chairman's Statement

On behalf of the Board of Directors (the "Board"), we hereby present the annual report of FX Creations International Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 March 2006 to our shareholders.

MARKET OVERVIEW

The retail environment in Hong Kong experienced a tough year due to the keen competition from the competitors as well as experienced an increase of rental and costs in Hong Kong. The Group recorded decrease in retail sales of approximately 12% in the year under review.

However, the Group recorded an increase in wholesale sales by approximately 25% in the year under review compared to the previous corresponding year mainly due to more orders from existing customers.

As a result of the above, overall sales increased by approximately 1%.

FINANCIAL OVERVIEW

For the year ended 31 March 2006, the Group recorded a turnover of approximately HK\$70,913,000 (2005: approximately HK\$69,893,000), representing an increase of approximately 1% compared to the previous corresponding year. The turnover for the year ended 31 March 2006 comprised retail sales and wholesale sales which accounted for approximately 56% and 44% (2005: approximately 64% and 36% respectively) of the total turnover respectively. As at 31 March 2006, the Group had 12 (2005: 18) retail outlets in Hong Kong which consisted of 9 (2005: 7) retail shops and 3 (2005: 11) department store counters, and no (2005: 11) department store counters in Taiwan.

Net loss attributable to shareholders for the year ended 31 March 2006 amounted to approximately HK\$5,359,000 as compared to net loss attributable to shareholders of approximately HK\$10,045,000 for the year ended 31 March 2005. The losses were mainly attributed to increase in the rental expenses, provision for impairment of fixed assets, loss on disposal of other investments and cost of inventories sold.

Chairman's Statement

PROSPECTS AND APPRECIATION

The Group views the prospects of its business as challenging as the Group is experiencing rental and costs increases in Hong Kong while sales have not increased at the same percentage due to a more competitive business environment. Nevertheless, the Group is continuing to introduce new designs and products while maintaining cost control measures to remain competitive. To expand its sales network and to streamline its operations and resources, the Group is looking for new franchisees to operate the Group's retail network in Hong Kong. On the wholesale side, the Group is continuing to look for new agents in new countries as well as working more closely with the existing agents.

The Group continued to conduct various marketing and promotion activities including advertising campaigns such as billboards, brochures and road shows to promote the Group's profile and the FX CREATIONS members club. The Group also participated in promotion activities with credit card issuers, retail chain store and television programme to promote and strengthen its brand loyalty.

While looking at ways to improve its business further, the Group is looking for business opportunities elsewhere to improve its financial performance and improve shareholders returns.

On 8 March 2006, the controlling shareholder of the Company was changed and Mr. Wong Wing Cheung, Peter has been appointed as an executive director and Chairman with effect from 1 April 2006 and 19 April 2006 respectively. It is expected that by virtue of the experience of Mr. Wong in the manufacturing of leather goods and his marketing network, synergistic effect and more business opportunities would be brought to the existing business of the Group.

To seek more business opportunities and to maximize return to the Group in the long run, the Group entered into a memorandum of understanding with independent third parties on 2 June 2006 in respect of an acquisition of the whole or part of the equity interests of a company which has secured an exclusive distribution rights in relation to the sale and distribution of funeral related products and services on a worldwide basis.

Finally, on behalf of the Board, I would like to take this opportunity to express my gratitude to all members of the Board, staff and those who have supported us for their dedication and contribution to the Group. We will continue to put our best efforts to produce good economic results and better return to our shareholders.

Wong Wing Cheung, Peter

Chairman

27 June 2006

Management Discussion and Analysis

GENERAL

The Group is principally engaged in retail and wholesale of bags and accessories under its **FX CREATIONS** brandname. The bags sold by the Group consist principally of business bags, sports bags, backpacks, handbags and wallets. The accessories sold by the Group include belts, watches, spectacles and umbrellas.

The Group also sells its products to agents and distributors for distribution and resale in the PRC, Taiwan, Singapore, Malaysia, Indonesia, Thailand, Australia, New Zealand, Korea, Japan and Europe markets.

BUSINESS OVERVIEW

During the year ended 31 March 2006, the Group closed 8 retail outlets and opened 2 retail shops outlets in Hong Kong, 8 and 11 department store counters were closed in Hong Kong and Taiwan respectively. The retail outlets shops and department store counters were closed because of the expiry of the leases and the Group considered it is not economically feasible to renew the leases and to streamline its operations and resources and franchise to operate the Group's retail network in Hong Kong.

The Group continued to identify potential new agents in new areas but no new agency agreement was signed during the year ended 31 March 2006. The Group is finalising its partnership agreements with agents in Thailand and Korea.

Despite the increase in the overall sales, a net loss of approximately HK\$5,359,000 was recorded in the year under review. The losses were mainly attributed to increase in the rental expenses, provision for impairment of fixed assets, loss from disposals of other investments, and cost of inventories sold.

The Group continued to conduct various marketing and promotion activities including advertising campaigns such as billboards, brochures and road shows to promote the Group's profile and the **FX CREATIONS** members club. The Group also participated in promotion activities with credit card issuers, retail chain store and television programme to promote and strengthen its brand loyalty.

Management Discussion and Analysis

FINANCIAL REVIEW

Results

For the year ended 31 March 2006, the Group recorded a turnover of approximately HK\$70,913,000 (2005: approximately HK\$69,893,000), representing an increase of approximately 1% as compared to the previous corresponding year. The increase in turnover was attributed to the increase in sales of 25% in the wholesale segment which was offset by the decrease in sales of 12% in the retail segment.

Net loss attributable to shareholders for the year ended 31 March 2006 amounted to approximately HK\$5,359,000 (2005: HK\$10,045,000). The losses were mainly attributed to increase in the rental expenses, provision for impairment of fixed assets, loss from disposals of other investments and cost of inventories sold.

Liquidity, financial resources and capital structure

During the year, the Group financed its operations with its own working capital and bank borrowings.

As at 31 March 2006, the Group had net current assets of approximately HK\$5,089,000 (2005: approximately HK\$3,209,000) including bank and cash balances of approximately HK\$3,962,000. As at 31 March 2005, bank and cash balances (including pledged bank deposits) were approximately HK\$4,269,000.

The Group did not have any banking facilities as at 31 March 2006. As at 31 March 2005, the Group had total available banking facilities of approximately HK\$14,887,000 which were supported by the following:

- (i) the pledge of bank deposits of approximately HK\$2,742,000;
- (ii) corporate guarantee executed by the Company totaling HK\$12,253,000; and
- (iii) the pledge of certain assets of a subsidiary of the Company amounting to HK\$1,764,000.

As at 31 March 2005, approximately HK\$9,738,000 was utilized by the Group.

As at 31 March 2006, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was approximately 0.03 (2005: 0.37). The Group has no fixed interest bank borrowing. All the bank borrowings were denominated in Hong Kong dollars.

Management Discussion and Analysis

As at 31 March 2006, the Group had outstanding tax loan with bank of approximately HK\$377,000, which was repayable within one year. As at 31 March 2005, the Group had total outstanding bank borrowings of approximately HK\$9,738,000 comprising secured bank overdrafts of approximately HK\$3,810,000, secured bills payable of approximately HK\$4,381,000 and secured bank loans of approximately HK\$1,547,000.

As at 31 March 2006, the Group had other secured loan of approximately HK\$583,000 (2005: Nil), of which approximately HK\$500,000 was repayable within one year and approximately HK\$83,000 was repayable beyond one year but within five years.

The shares of the Company were listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("GEM") on 21 May 2002.

On 9 December 2005, the Company issued and allotted 60,504,000 shares to 6 placees who were independent third parties.

On 26 May 2006, the Company by way of an open offer of new shares, will issue not less than 232,552,000 offer shares and not more than 249,302,000 offer shares on the basis of one offer share for every two existing shares. Following the completion of open offer on the estimated date of 14 July 2006, the total issued share capital is expecting to enlarge to 747,906,000 shares.

Significant investments

As at 31 March 2006, there was no significant investment held by the Group. As at 31 March 2005, the Group had investment in listed securities in Hong Kong which fair value as at that date were approximately HK\$500,000.

Material acquisitions or disposals of subsidiaries and affiliated companies

There were no material acquisitions or disposals of subsidiaries and affiliated companies during the year.

Contingent liabilities

As at 31 March 2006, the Group had no material contingent liabilities.

As at 31 March 2005, the Group had discounted bills with recourse of approximately HK\$76,000. In addition, the Company had provided guarantees for banking facilities granted to and utilised by subsidiaries of approximately HK\$9,738,000 as at 31 March 2005.

Management Discussion and Analysis

Lease and contracted commitments

The Group leases certain of its office premises, warehouses, retail shops and department store counters under non-cancellable operating lease arrangements with lease terms ranging from one to three years.

As at 31 March 2006, the Group had total future minimum lease payments in respect of non-cancellable operating leases for land and buildings falling due as follows:

	2006 HK\$'000	2005 HK\$'000
Within one year	6,165	8,498
In the second to fifth years, inclusive	3,905	3,582
	10,070	12,080

Foreign exchange exposure

The Group's income and expenditure during the year ended 31 March 2006 were denominated in United States ("US") dollars, Hong Kong ("HK") dollars and New Taiwanese ("NT") dollars, and most of the assets and liabilities as at 31 March 2006 were denominated in HK dollars and NT dollars. Accordingly, the Board is of the view that, to a certain extent, the Group is exposed to foreign currency exchange risk. For the US dollars foreign exchange exposure, the Board believes the exposure is small as the exchange rate of US dollars to HK dollars is comparatively stable. However, the Group is exposed to NT dollars foreign exchange exposure and fluctuation of exchange rates of NT dollars against HK dollars could affect the Group's results of operations. During the year, no hedging transaction or arrangement was made.

Treasury policies

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Management Discussion and Analysis

Segment information

Business segments

	2006 HK\$'000	2005 HK\$'000
Retail sales	39,715	45,028
Wholesale sales	31,198	24,865
	70,913	69,893
<i>Geographical segments</i>		
PRC:		
Hong Kong, SAR	53,664	51,660
Elsewhere	5,617	3,087
Taiwan	9,393	12,442
Singapore	1,744	1,876
Others	495	828
	70,913	69,893

Business segments

Retail sales

Retail sales decreased by approximately 12%, as compared to the previous corresponding year, to approximately HK\$39,715,000 (2005: approximately HK\$45,028,000).

Wholesale sales

Wholesale sales comprised sales to agents and sales to distributors.

Sales to agents increased by approximately HK\$5,927,000, as compared to the previous corresponding year, to approximately HK\$11,264,000 (2005: approximately HK\$5,337,000). The increase was mainly attributed to the increase in sales to the agents in the PRC.

Sales to distributors increased by approximately 2%, as compared to the previous corresponding year, to approximately HK\$19,934,000 (2005: approximately HK\$19,528,000). The increase was mainly attributed to the increase in orders from existing customers.

Geographical segments

For the year ended 31 March 2006, sales in Hong Kong increased by approximately 4% as compared to the previous corresponding year. The increase was mainly attributed to the increase in sales in the retail outlets in Hong Kong.

Management Discussion and Analysis

For the year ended 31 March 2006, sales to elsewhere in the PRC increased by approximately 82% as compared to the previous corresponding year. The increase was mainly attributed to the increase in sales to the Group's agents in the PRC.

For the year ended 31 March 2006, sales to Taiwan decreased by approximately 25% as compared to the previous corresponding year. The decrease was mainly attributed close of the retail outlets in Taiwan during the year.

For the year ended 31 March 2006, sales to Singapore decreased by approximately 7% as compared to the previous corresponding year. The decrease was attributed to the decrease in sales to the Group's agent in Singapore.

For the year ended 31 March 2006, sales to other countries decreased by approximately 40% as compared to the previous corresponding year. The decrease was mainly attributed to the decrease in orders from countries other than above.

Please refer to note 4 to the financial statements in this annual report for details on business and geographical segments.

Future plans for material investments and expected source of funding

While looking at ways to improve the business further, the Group is looking for business opportunities elsewhere to improve the financial performance and improve shareholders returns.

To seek more business opportunities and to maximise the return to the Group in the long run, the Group entered into a memorandum of understanding with independent third parties on 2 June 2006 in respect of an acquisition in whole, or in part, of the equity interests of a company which has secured an exclusive distribution rights in relation to the sale and distribution of funeral related products and services on a worldwide basis.

On 25 May 2006, the Company proposes to raise not less than approximately HK\$13.95 million and not more than approximately HK\$14.96 million before expenses, by way of an open offer of new shares, of is not less than 232,552,000 offer shares and not more than 249,302,000 offer shares at a price of HK\$0.06 per offer share on the basis of one offer share for every two existing shares held on the 19 June 2006.

Employees and remuneration policies

As at 31 March 2006, the Group had 80 (2005: 137) employees, including directors. Total staff costs (including directors' emoluments) were approximately HK\$11,848,000 for the year ended 31 March 2006 (2005: approximately HK\$12,746,000). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong. As of 31 March, 2006, no share options have been granted to employees.

Directors and Senior Management

EXECUTIVE DIRECTORS

Wong Wing Cheung, Peter, aged 57 is the chairman of the Group. Mr. Wong is responsible for the overall strategic planning, marketing and managing functions of the Group. He is a merchant and has over 17 years of experience in a private industrial company engaging in the manufacturing of leather goods including handbags, belts and wallets in the People's Republic of China and trading of these leather goods in Hong Kong and overseas markets. He is also engaged in the investment of real estates in Hong Kong. Mr. Wong is currently the executive director of a private company and is responsible for the company's investment and management functions including property investment and planning, asset management, property strategic marketing and management as well as financial and corporate administration. Mr. Wong was appointed as an executive director of the Company and Chairman of the Group on 1 April and 19 April 2006 respectively.

Chan Francis Ping Kuen, aged 47, is a member of The Institute of Chartered Accountants in Australia and also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan holds a bachelor degree in economics from the University of Sydney. Mr. Chan has over 20 years of experience in auditing, accounting and financial management and previously worked for an international accounting firm and a number of companies listed in Hong Kong Special Administrative Region of the People's Republic of China and in the United States of America. Mr. Chan was previously an independent non-executive director of Global Solution Engineering Limited (formerly named as AGL MediaTech Holdings Limited) and Kinetana International Biotech Pharma Limited, both of which are companies listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Chan is currently appointed as the independent non-executive director of China Elegance (Holdings) Limited and Earnest Investments Holdings Limited respectively, both of which are companies listed on the main board of the Stock Exchange and he is also the independent non-executive director of Grandy Corporation which is a company listed on the GEM. Mr. Chan was appointed as an executive director of the Company on 1 February 2006.

Chan Man Yin, aged 49, has over 20 years' experience in accounting, auditing, taxation and consulting. Mr. Chan holds a Master Degree of Business Administration from Columbia Southern University. He is a fellow member of the Association of Chartered Certified Accountants, a fellow member (Practising) of Hong Kong Institute of Certified Public Accountants, an associate member of the Institute of Chartered Accountants in England and Wales and a fellow member of Taxation Institute of Hong Kong. Mr. Chan was appointed as an executive director of the Company on 1 June 2005.

Ng Pak To, Petto, resigned as an executive director of the Company and the Chairman of the Group with effect from 19 April 2006.

Ong Chor Wei, resigned as an executive director of the Company with effect from 19 April 2006.

Ho Kai Chung, David, resigned as an executive director of the Company with effect from 3 May 2005.

NON-EXECUTIVE DIRECTOR

Wong Wai Shan, resigned as a non-executive director of the Company with effect from 3 May 2005.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lee Kun Hung, aged 40, was appointed as an independent non-executive director of the Company on 20 June 2005. He holds a Bachelor's Degree in Arts from the Boston College, Massachusetts in the United States. He has over 15 years of manufacturing experience in the watch industry. Mr. Lee is currently an independent non-executive director of KanHan Technologies Group Limited which is a company listed on GEM.

Wong Hou Yan, Norman, aged 53, was appointed as an independent non-executive director of the Company on 20 June 2005. He has over 29 years of experience in the fields of information technology, project management, sales and support and quality assurance. Mr. Wong is now a managing director of a computing services company where he takes charge of overall management in business expansion, customer relations and daily operation and compliance. Mr. Wong obtained a Bachelor's Degree of Arts in Business Data Processing from the University of Wisconsin in the United States.

Cheung Chi Hwa, Justin, aged 52, was appointed as an independent non-executive director of the Company on 4 July 2005. He holds a bachelor degree of laws from Manchester Metropolitan University in the United Kingdom and a master of business administration degree from California State University in the United States. Mr. Cheung is a member of the American Institute of Certified Public Accountants and has over 20 years of banking, accounting and company secretarial experiences.

Guo Jian, resigned as an independent non-executive director of the Company with effect from 4 July 2005.

Kau Man Wai, Leslie, resigned as an independent non-executive director of the Company with effect from 20 June 2005.

Christopher, C. Leu, resigned as an independent non-executive director of the Company with effect from 20 June 2005.

SENIOR MANAGEMENT

Ho Kai Chung, David, aged 42, is an ex-director of the Company and co-founder of the Group. He resigned as an executive director of the Company effective from 3 May 2005 for personal reasons on his own accord. He is the brother-in-law of Mr. Ng Pak To, Petto and the brother of Madam Ho Pui Lai. He holds a Higher Certificate in Three-Dimensional Design from the Hong Kong Polytechnic University. He is responsible for the design, development and promotional activities of the Group. Mr. Ho has over fifteen years of experience in design and advertising. He has also received an award from the Hong Kong Designers Association for excellence in his creative endeavour. Prior to joining the Group in August 1993, he was self-employed in a retail business in gift items, under the name Take 1.

Ho Pui Lai, aged 44, is the vice president for administration and one of the founders of the Group. Madam Ho is responsible for the administration and management functions of the Group. Madam Ho has over ten years of experience in business administration. She has obtained several professional diploma in Human Resources Management granted by Hong Kong Productivity Council. Prior to founding the Group in April 1993, she worked as an interior designer for an architectural and interior design company. She is the wife of Mr. Ng Pak To, Petto and the sister of Mr. Ho Kai Chung, David.

Cheung King Hei, Davis, aged 44, is the chief accountant of the Group. He is responsible for the accounting and management information system functions of the Group. He holds a Bachelor of General Studies Degree from the Open University of Hong Kong. Prior to joining the Group in March 1999, he worked as an accounting manager for a shipping company.

Kwan Wai Fan, Betty, aged 36, is the sales and operation manager of the Group. She is responsible for the retail operation for the Hong Kong market. She has over fifteen years of experience in the retail industry. Prior to joining the Group in May 1999, she worked in various managerial and sales positions for a bags retailer.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2006 except that: (i) the roles of chairman and chief executive officer are not separate and are performed by the same individual, and (ii) no nomination committee of the Board is established.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiry of all directors, the directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the year ended 31 March 2006.

BOARD OF DIRECTORS AND BOARD MEETING

The Board members for the year ended 31 March 2006 were:

Executive Director

Ng Pak To, Petto (resigned on 19 April 2006)
Ong Chor Wei (resigned on 19 April 2006)
Ho Kai Chung, David (resigned on 3 May 2005)
Wong Wing Cheung, Peter (appointed on 1 April 2006)
Chan Man Yin (appointed on 1 June 2005)
Chan Francis Ping Kuen (appointed on 1 February 2006)

Non-executive Director

Wong Wai Shan (resigned on 3 May 2005)

Independent non-executive director

Kau Man Wai, Leslie (resigned on 20 June 2005)
Christopher C. Leu (resigned on 20 June 2005)
Guo Jian (resigned on 4 July 2005)
Lee Kun Hung (appointed on 20 June 2005)
Wong Hou Yan, Norman (appointed on 20 June 2005)
Cheung Chi Hwa, Justin (appointed on 4 July 2005)

The board of directors (the "Board") is responsible for the Group's corporate policy formulation, business strategies planning, business development, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the board of directors to the management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the board of directors, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Corporate Governance Report

The directors' biographical information are set out on page 11 of this Annual Report. All executive directors have given sufficient time and attention to the affairs of the Group. Each executive director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the board of directors.

The Company appointed three independent non-executive directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. All of them have been appointed for a term of one year commencing from the date of appointment and will continue thereafter until terminated by either party giving each other not less than one month's notice.

Under the code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. In order to comply with this code, the existing articles of association will be proposed at the forthcoming annual general meeting to make the necessary amendments.

Pursuant to the requirements of the GEM Listing Rules 5.09, the Company has received written confirmation from each non-executive director and independent non-executive director of his independence to the Company. Based on such confirmations of independence, the Company considers all of non-executive director and the independent non-executive directors to be independent.

The Board meets four times a year to review the financial and operating performance of the Group.

Details of the attendance of the meetings of the Board are as follows:

Directors	Attendance
Chan Man Yin (appointed on 1 June 2005)	4/4
Lee Kun Hung (appointed on 20 June 2005)	4/4
Wong Hou Yan, Norman (appointed on 20 June 2005)	4/4
Cheung Chi Hwa, Justin (appointed on 4 July 2005)	4/4
Chan Francis Ping Kuen (appointed on 1 February 2006)	1/4
Wong Wing Cheung, Peter (appointed on 1 April 2006)	1/4
Ho Kai Chung, David (resigned on 3 May 2005)	0/4
Wong Wai Shan (resigned on 3 May 2005)	0/4
Christopher C. Leu (resigned on 20 June 2005)	0/4
Kau Man Wai, Leslie (resigned on 20 June 2005)	0/4
Guo Jian (resigned on 4 July 2005)	0/4
Ng Pak To, Petto (resigned on 19 April 2006)	3/4
Ong Chor Wei (resigned on 19 April 2006)	3/4

Apart from the above regular board meetings of the year, the Board will meet on other occasions when a board-level decision on a particular matter is required.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of chairman and chief executive officer of the Company have been performed by Mr. Wong Wing Cheung, Peter. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently. The Board will review the effectiveness of this arrangement from time to time and will consider appointing an individual as chief executive officer when it thinks appropriate.

REMUNERATION OF DIRECTORS

The remuneration committee was established with written terms of reference in compliance with the code provision. The remuneration committee consists of three members, of which all are independent non-executive directors, namely Mr. Cheung Chi Hwa, Justin, Mr. Lee Kun Hung and Mr. Wong Hou Yan, Norman. The chairman of the committee is Mr. Wong Hou Yan, Norman.

The role and function of the remuneration committee include the determination of the specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors.

Details of the attendance of the meeting of the remuneration committee are as follows:

Members	Attendance
Mr. Cheung Chi Hwa, Justin	1/1
Mr. Lee Kun Hung	1/1
Mr. Wong Hou Yan, Norman	1/1

NOMINATION OF DIRECTORS

No nomination committee was established by the Company.

The Company is in the progress of forming a nomination committee which is expected to be established in accordance with the GEM Listing Rules as and when appropriate.

AUDITORS' REMUNERATION

The Company has appointed Baker Tilly Hong Kong Limited as the auditors of the Group (the "Auditors"). The Board is authorized in the annual general meeting to determine the remuneration of the Auditors. During the year, the Auditors only perform the work of statutory audit for the year ended 31 March 2006 and did not involve any non-audit assignment of the Group. The remuneration of the auditors for the year ended 31 March 2006 is approximately HK\$250,000.

Corporate Governance Report

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group and provide advice and comments on the Company's draft annual reports and accounts, half year reports and quarterly reports to directors. The audit committee comprises three members, Mr. Cheung Chi Hwa, Justin, Mr. Lee Kun Hung and Wong Hou Yan, Norman, all of them are independent non-executive directors. The chairman of the audit committee is Mr. Wong Hou Yan, Norman.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance
Lee Kun Hung (appointed on 20 June 2005)	4/4
Wong Hou Yan, Norman (appointed on 20 June 2005)	4/4
Cheung Chi Hwa, Justin (appointed on 4 July 2005)	4/4
Guo Jian (resigned on 4 July 2005)	0/4
Kau Man Wai, Leslie (resigned on 20 June 2005)	0/4
Christopher C. Leu (resigned on 20 June 2005)	0/4

The Group's unaudited quarterly, interim results and annual audited results for the year ended 31 March 2006 have been reviewed by the audit committee during the year, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The auditors' responsibilities are set out in the Auditors' Report.

Report of the Directors

The directors present their annual report and the audited financial statements of FX Creations International Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company are set out in note 15 to the financial statements. There have been no significant changes in the nature of the Group's principal activities during the year. The financial statements are presented in Hong Kong dollars which is the functional currency of the Group.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical areas of operations for the year is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's consolidated loss for the year ended 31 March 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 26 to 54.

The directors do not recommend any dividends during the year.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the consolidated results of the Group for each of the five years ended 31 March 2006 and of the consolidated assets and liabilities of the Group as at 31 March 2006, 2005, 2004, 2003 and 2002.

Consolidated results

	2006 HK\$'000	Year ended 31 March			
		2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	70,913	69,893	65,847	59,564	49,587
(Loss)/profit before income tax	(5,300)	(9,728)	644	2,253	2,342
Income tax	(100)	(223)	(281)	(542)	(422)
(Loss)/profit after income tax	(5,400)	(9,951)	363	1,711	1,920
Attributable to:					
Equity holders of the Company	(5,359)	(10,045)	751	1,696	1,920
Minority interests	(41)	94	(388)	15	–
Net (loss)/profit attributable to shareholders	(5,400)	(9,951)	363	1,711	1,920

Report of the Directors

SUMMARY FINANCIAL INFORMATION (continued)

Consolidated assets and liabilities

	2006 HK\$'000	As at 31 March			
		2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Total assets	14,851	26,568	37,327	34,713	12,315
Total liabilities	(6,503)	(14,640)	(15,448)	(13,197)	(10,557)
Minority interests	(80)	(121)	(27)	(415)	–
Net assets	8,268	11,807	21,852	21,101	1,758

FIXED ASSETS

Details of the movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the movements in the Company's share capital, together with the details of the Company's share option scheme, are set out in notes 23 and 24 to the financial statements respectively.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the statement of changes in equity on page 30 of the annual report and in note 25 to the financial statement.

DISTRIBUTABLE RESERVES

At 31 March 2006, the Company's reserve available for distribution, calculated in accordance with the laws of the Cayman Islands, amounted to HK\$1,582,000 (2005: HK\$13,748,000). This includes the Company's share premium amount of HK\$14,918,000 (2005: 13,703,000) at 31 March 2006 which may be distributed provided that immediately following the date on which a dividend is proposed to be distributed the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the year, turnover made to the Group's five largest customers of the Group accounted for approximately 67% (2005: 19%) of the total turnover for the year. Turnover made to the Group's largest customer included therein accounted for approximately 45% (2005: 6%) of the total turnover for the year.

During the year, purchases from the Group's five largest suppliers accounted for approximately 79% (2005: 76%) of the total purchases for the year. Purchases from the Group's largest supplier included therein accounted for approximately 34% (2005: 29%) of the Group's total purchases for the year.

As far as the directors are aware, neither the directors of the Company, any of their associates, nor any shareholders which to the best knowledge of the directors own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers and suppliers during the year.

DIRECTORS

The directors of the Company for the year and up to the date of this report were:

Executive directors:

Ng Pak To, Petto (resigned on 19 April 2006)
Ong Chor Wei (resigned on 19 April 2006)
Ho Kai Chung, David (resigned on 3 May 2005)
Wong Wing Cheung, Peter (appointed on 1 April 2006)
Chan Man Yin (appointed on 1 June 2005)
Chan Francis Ping Kuen (appointed on 1 February 2006)

Non-executive director:

Wong Wai Shan (resigned on 3 May 2005)

Independent non-executive directors:

Kau Man Wai, Leslie (resigned on 20 June 2005)
Christopher C. Leu (resigned on 20 June 2005)
Guo Jian (resigned on 4 July 2005)
Lee Kun Hung (appointed on 20 June 2005)
Wong Hou Yan, Norman (appointed on 20 June 2005)
Cheung Chi Hwa, Justin (appointed on 4 July 2005)

Report of the Directors

DIRECTORS (continued)

In accordance with Article of 87(1) the Company's Articles of Association, Mr. Wong Hou Yan, Norman will retire by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Wong Wing Cheung, Peter and Mr. Chan Francis Ping Kuen who were appointed as directors of the Company on 1 April 2006 and 1 February 2006 respectively, will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The Company confirmed that it has received from each of its independent non-executive directors the annual confirmation for his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and consider them to be independent as at the date of this report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 12 of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No director of the Company had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during or at the end of the year.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Mr. Wong Wing Cheung, Peter entered into the service contract with the Company for a term of one year commencing from 1 April 2006 or 19 April 2006 (as an executive director for the Company and as Chairman for the Group respectively) and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

Mr. Chan Man Yin entered into the service contract with the Company for a term of one year commencing from 1 June 2005 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

Mr. Chan Francis Ping Kuen entered into the service contract with the Company for a term of one year commencing from 1 February 2006 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

Mr. Lee Kun Hung and Mr. Wong Hou Yan Norman, both the Independent Non-executive Directors of the Company, have each entered into the service contract with the Company for a term of one year commencing from 20 June 2005 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

Mr. Cheung Chi Hwa, Justin, one of the Independent Non-executive Director of the Company, have entered into the service contract with the Company for a term of one year commencing from 4 July 2005 and shall continue thereafter until terminated by either party giving to the other not less than one month notice in writing.

Apart from the forgoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 March 2006, none of the directors nor the chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standards of dealings by directors as referred to Rules 5.46 to 5.67 of the GEM Listing Rules.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' and chief executives' interests in shares" above, at no time during the year 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 directors 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 arrangements to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2006, other than the interests of a director as disclosed under the section headed "Directors' and chief executives' interests in shares" above, the interests and short positions of persons in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 10% 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 members of the Group, or substantial shareholders as recorded in the register of substantial shareholder required to be kept by the Company under Section 336 of the SFO were as follow:

	Number of Issued Ordinary Shares held	Percentage of holding
Flyrich Resources Limited (<i>Note 1</i>)	204,000,000	44.3%
Mr. Wong Wing Cheung, Peter (<i>Note 1</i>)	204,000,000	44.3%
Top Accurate Limited (<i>Note 2</i>)	76,000,000	16.5%
Mr. Ma She Shing, Albert (<i>Note 2</i>)	76,000,000	16.5%

Notes:

1. These shares represent a 44.3% equity interest in the Company and are held by Flyrich Resources Limited, a company wholly owned by Mr. Wong Wing Cheung, Peter.
2. These shares represent a 16.5% equity interest in the Company and are held by Top Accurate Limited. The ultimate beneficial owner of Top Accurate Limited is Mr. Ma She Shing, Albert ("Mr. Ma"), Mr. Ma is a third party independent of and not connected with the Company and its connected person (as defined in the GEM Listing Rules).

Save as disclosed above, as at 31 March 2006, the directors of the Company were not aware of any other person (other than the directors of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 10% 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 members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Up to the date of this report, none of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) have engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles in the Code and complied with the code provisions set out in the Code for the year ended 31 March 2006 except that: (i) the roles of chairman and chief executive officer are not separate and are performed by the same individual, and (ii) no nomination committee of the Board is established.

CONNECTED PARTY TRANSACTIONS

There were no significant connected party transactions entered into by the Group for the year ended 31 March 2006.

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, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee now comprises three independent non-executive directors of the Company, namely Mr. Lee Kun Hung, Mr. Wong Hou Yan, Norman and Mr. Cheung Chi Hwa, Justin. The consolidated financial statements of the Group for the year ended 31 March 2006 have been reviewed by the Committee, who is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made. Four meetings were held during the current financial year.

Report of the Directors

AUDITORS

At the extraordinary general meeting of the Company held on 13 May 2004, Baker Tilly Hong Kong Limited were appointed as auditors of the Company to fill the casual vacancy.

The financial statements have been audited by Baker Tilly Hong Kong Limited who retire and being eligible, offer themselves for their reappointment as auditors of the Company at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Wong Wing Cheung, Peter

Chairman

Hong Kong

27 June 2006

Report of the Auditors



BAKER TILLY
HONG KONG LIMITED

Certified Public Accountants

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AUDITORS' REPORT TO THE MEMBERS OF
FX CREATIONS INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 26 to 54 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view 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 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 Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes 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 financial statements, and of whether the accounting policies are appropriate to the Company's and 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 financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 March 2006 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited
Certified Public Accountants

Hong Kong
27 June 2006

Chan Cheuk Chi
Practising Certificate number P01137

Consolidated Income Statement

For the year ended 31 March 2006

	Notes	2006 HK\$'000	2005 HK\$'000
TURNOVER	5	70,913	69,893
Cost of sales		(38,576)	(36,628)
Gross profit		32,337	33,265
Other revenue	5	2,179	681
Selling and distribution costs		(23,031)	(23,596)
Administrative expenses		(16,277)	(19,494)
LOSS FROM OPERATIONS	6	(4,792)	(9,144)
Finance costs	7	(508)	(584)
LOSS BEFORE INCOME TAX		(5,300)	(9,728)
Income tax	10	(100)	(223)
LOSS FOR THE YEAR		(5,400)	(9,951)
Attributable to:			
Equity holders of the Company	11	(5,359)	(10,045)
Minority interests		(41)	94
		(5,400)	(9,951)
DIVIDENDS	12	–	–
LOSS PER SHARE	13		
– Basic		(HK1.3 cents)	(HK2.51 cents)
– Diluted		N/A	N/A

The accompanying notes form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 March 2006

	Notes	2006 HK\$'000	2005 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	14	1,210	6,166
Long-term investments		–	830
Rental and sundry deposits		2,132	1,723
		3,342	8,719
CURRENT ASSETS			
Short-term investments		–	1,434
Inventories	16	1,788	3,023
Accounts receivable	17	3,521	6,591
Prepayments, deposits and other receivables		1,876	2,144
Due from a minority shareholder	18	360	360
Taxes refundable		2	28
Pledged bank deposits		–	2,742
Cash and bank balances		3,962	1,527
		11,509	17,849
CURRENT LIABILITIES			
Accounts payable	19	3,680	3,418
Accrued expenses and other payables		1,279	1,317
Taxes payable		131	167
Amount due to a shareholder	20	453	–
Bills payable – secured	21	–	4,381
Bank overdrafts – secured	21	–	3,810
Short-term bank loans – secured	21	377	600
Current portion of long-term bank loans – secured	21	–	947
Current portion of other long-term loan – secured	22	500	–
		6,420	14,640
NET CURRENT ASSETS		5,089	3,209
TOTAL ASSETS LESS CURRENT LIABILITIES		8,431	11,928
NON-CURRENT LIABILITIES			
Other long-term loans – secured	22	83	–
NET ASSETS		8,348	11,928

Consolidated Balance Sheet

As at 31 March 2006

	Notes	2006 HK\$'000	2005 HK\$'000
FINANCED BY			
Share capital	23	4,605	4,000
Reserves	25	3,663	7,807
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		8,268	11,807
MINORITY INTERESTS		80	121
		8,348	11,928

Wong Wing Cheung, Peter
Director

Chan Francis Ping Kuen
Director

The accompanying notes form an integral part of these financial statements.

Balance Sheet

As at 31 March 2006

	Notes	2006 HK\$'000	2005 HK\$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	15	147	17,820
CURRENT ASSETS			
Cash and bank balances		3,661	2
Taxes refundable		–	26
		3,661	28
CURRENT LIABILITIES			
Accrued expenses and other payables		332	100
Amount due to a shareholder	20	453	–
		785	100
NET CURRENT ASSETS/(LIABILITIES)		2,876	(72)
NET ASSETS		3,023	17,748
FINANCED BY			
Share capital	23	4,605	4,000
Reserves	25	(1,582)	13,748
TOTAL EQUITY		3,023	17,748

Wong Wing Cheung, Peter
Director

Chan Francis Ping Kuen
Director

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity of the Group and the Company

For the year ended 31 March 2006

Group

	Issued share capital HK\$'000	Share premium HK\$'000	Retained earnings/ (Accumulated losses) HK\$'000	Total HK\$'000	Minority interest HK\$'000	Total HK\$'000
Balance at 1 April 2004	4,000	13,703	4,149	21,852	27	21,879
Net loss for the year	-	-	(10,045)	(10,045)	94	(9,951)
Balance at 1 April 2005	4,000	13,703	(5,896)	11,807	121	11,928
Issue of new shares	605	1,392	-	1,997	-	1,997
Issuing cost	-	(177)	-	(177)	-	(177)
Net loss for the year	-	-	(5,359)	(5,359)	(41)	(5,400)
Balance at 31 March 2006	4,605	14,918	(11,255)	8,268	80	8,348

Company

	Issued share capital HK\$'000	Share premium HK\$'000	Retained earnings/ (Accumulated losses) HK\$'000	Total HK\$'000
Balance at 1 April 2004	4,000	13,703	104	17,807
Net loss for the year	-	-	(59)	(59)
Balance at 1 April 2005	4,000	13,703	45	17,748
Issue of new shares	605	1,392	-	1,997
Issuing cost	-	(177)	-	(177)
Net loss for the year	-	-	(16,545)	(16,545)
Balance at 31 March 2006	4,605	14,918	(16,500)	3,023

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2006

	2006	2005
	HK\$'000	HK\$'000
Loss before income tax	(5,300)	(9,728)
Adjustments for:		
Depreciation	1,737	1,742
Provision for impairment loss of other investments	–	3,500
Provision for impairment of fixed assets	3,500	–
Interest income	(152)	(58)
Interest expenses	508	584
Loss on disposals of fixed assets	–	1,041
Operating cash flows before movements in working capital	293	(2,919)
Decrease/(Increase) in inventories	1,235	(355)
Decrease in accounts receivable	3,070	1,153
Decrease in prepayments, deposits and other receivables	793	1,099
Increase/(Decrease) in accounts payable	262	(489)
Increase in amount due to a shareholder	453	–
(Decrease)/Increase in bills payable	(4,381)	825
Decrease in accrued expenses and other payables	(38)	(1)
Cash generated from/(used in) operations	1,687	(687)
Interest income received	152	58
Interest paid	(508)	(584)
Tax paid	(110)	(699)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	1,221	(1,912)
INVESTING ACTIVITIES		
Proceeds from disposals of other investments	1,330	–
Withdrawals of pledged bank deposits	2,742	825
Purchases of other investments	–	(830)
Sales proceeds of disposals of fixed assets	–	1,038
Purchases of fixed assets	(281)	(3,789)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	3,791	(2,756)
FINANCING ACTIVITIES		
Proceeds from issue of new shares	1,997	–
Share issue expenses	(177)	–
New other loans raised	583	–
Repayments of bank loans	(1,170)	(1,236)
New bank loans raised	–	500

Consolidated Cash Flow Statement

For the year ended 31 March 2006

	2006 HK\$'000	2005 HK\$'000
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	1,233	(736)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,245	(5,404)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(2,283)	3,121
CASH AND CASH EQUIVALENTS AT END OF YEAR	3,962	(2,283)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,962	1,527
Bank overdrafts	-	(3,810)
	3,962	(2,283)

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2006

1. GENERAL INFORMATION

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. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, Cayman Islands, British West Indies.

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the retail and wholesale of bags and accessories. The bags sold by the Group consist principally of business bags, sports bags, backpacks, handbags and wallets. The accessories sold by the Group include belts, watches, spectacles and umbrellas. There were no significant changes in the nature of the Group's principal activities during the year.

2. BASIS OF PRESENTATION AND ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which also include all Hong Kong Accounting Standards ("HKASs") (Collectively referred to as the "New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), the disclosure requirements of the Hong Kong Company Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The accounting policies and method computation used in the preparation of these financial statements are consistent with those used in the annual accounts of the Group for the year ended 31 March 2005, except that the Group has changed certain of its presentation of the accounts following the adoption of the New HKFRSs which have become effective for accounting periods beginning on or after 1 January 2005, and which have not been early adopted by the Group for the preparation of the annual accounts of the Group for the year ended 31 March 2005.

Except for adoption of HKAS 1 and HKAS 27, which result in changes to the presentation of the accounts on minority interests, the adoption of all other New HKFRSs did not result in substantial changes to the accounting policies and their methods of computation used in the Group's accounts for the year ended 31 March 2006.

In the prior periods, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the consolidated income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 April 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to equity holders of the Company, and minority interests in the results of the Group for the year are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the Company.

Notes to the Financial Statements

For the year ended 31 March 2006

2. BASIS OF PRESENTATION AND ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS (continued)

At the date of this report, the following standards and interpretations were in issue but not yet effective:

HKAS 1 (Amendment)	(Note a)	Capital disclosures
HKAS 19 (Amendment)	(Note b)	Employee benefits – Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	(Note b)	The effect of changes in foreign exchange rates – Net investment in a foreign operation
HKAS 39 (Amendment)	(Note b)	Cash flow hedges of forecast intragroup transactions
HKAS 39 (Amendment)	(Note b)	The fair value option
HKAS 39 and HKFRS 4 (Amendments)	(Note b)	Financial instruments: Recognition and measurement and insurance contracts – Financial guarantee contracts
HKFRS 6	(Note b)	Exploration for and evaluation of mineral resources
HKFRS 7	(Note a)	Financial instruments: Disclosures
HKFRS – Int 4	(Note b)	Determining whether an arrangement contains a lease
HKFRS – Int 5	(Note b)	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC) – Int 6	(Note c)	Liabilities arising from participating in a specific market – Waste electrical and electronic equipment
HK(IFRIC) – Int 7	(Note d)	Applying the restatement approach under HKAS 29 – Financial reporting in hyperinflationary economies
HK(IFRIC) – Int 8	(Note e)	Scope of HKFRS 2
HK(IFRIC) – Int 9	(Note f)	Reassessment of embedded derivatives

Note a: effective for annual periods beginning on or after 1 January 2007

Note b: effective for annual periods beginning on or after 1 January 2006

Note c: effective for annual periods beginning on or after 1 December 2005

Note d: effective for annual periods beginning on or after 1 March 2006

Note e: effective for annual periods beginning on or after 1 May 2006

Note f: effective for annual periods beginning on or after 1 June 2006

The Group has commenced considering the potential impact of the above new HKFRS but is not yet in a position to determine whether these HKFRS would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRS may result in changes in the future as to how the results and financial position are prepared and presented.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March 2006.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the members of the board of directors; or to cast majority of votes at the meeting of the board of directors.

Notes to the Financial Statements

For the year ended 31 March 2006

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Consolidation (continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or goodwill taken to reserves and which was not previously charged or recognised in the consolidated income statement.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

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

The Group's branch in Taiwan maintains its records in New Taiwan dollars. In order to present the consolidated financial position of the Group in Hong Kong dollars, monetary assets and liabilities of the branch are translated at the applicable rate of exchange ruling at the balance sheet date. Income and expenses are translated at the exchange rates ruling at the transaction dates. Exchange differences are dealt with in the income statement.

On consolidation, the balance sheet of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an weighted average exchange rate. The resulting transaction differences are included in the exchange fluctuation reserves.

Notes to the Financial Statements

For the year ended 31 March 2006

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) 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.

(d) Fixed assets

Fixed assets 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 income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure results 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 to write off the cost of each asset over its estimated useful life on the straight-line basis at the following. The principal annual rates used are as follows:

Plant and machinery	10%
Furniture, fixtures and equipment	20% – 30%
Leasehold improvements	20% or over the lease terms

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

(e) Inventories

Inventories, which represent finished goods held for resale, are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchases, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs necessary to make the sale.

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cashflows (cash-generating units).

Notes to the Financial Statements

For the year ended 31 March 2006

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

(h) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprises cash on hand and deposits held at call with banks 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 bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(j) Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past event that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Notes to the Financial Statements

For the year ended 31 March 2006

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represent amounts receivable for services provided in the normal course of business, net of discount and sales related taxes. 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:

- (i) 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; and
- (ii) interest income, on a time proportion basis, taking into account the effective yield on the asset.
- (iii) Management fee income is recognized pro-rata over the duration of the underlying agreement.
- (iv) Machine rental income is accounted for on a straight-line basis over the period of the relevant leases.

(l) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

(m) Taxation

The charge for taxation is based on the results for the year as adjusted for items, which are non-assessable or disallowable. Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date is used to determine deferred taxation.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets is provided on temporary differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(n) Borrowing costs

All borrowing costs are charged to the income statement in the year in which they are incurred.

Notes to the Financial Statements

For the year ended 31 March 2006

3. PRINCIPAL ACCOUNTING POLICIES (continued)

(o) Employee benefits

(i) Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. The MPF Scheme has operated since 1 December 2000. 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 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 to the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

In addition, retirement benefits are paid by the Group's branch in Taiwan to its employees who contribute to the retirement benefit plans managed by the relevant authorities in Taiwan. The retirement benefits paid by the Taiwan's branch are based on certain percentage of the Taiwan employees' basic salaries in accordance with the relevant regulations in Taiwan and are charged to the profit and loss account as incurred. The Group discharges its retirement obligations upon payment of the retirement benefits to the employees in Taiwan.

(ii) Share-based compensation

No compensation cost is recognised in the income statement in connection with share options granted. When share options are granted, the fair value of the employee services received in exchange for the grant of the options is recognized as an expenses. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. The proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(p) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments are presented as the secondary reporting format.

Segment assets consist primarily of fixed assets, other investments, inventories, trade and other receivables, tax refundable and operating bank balances and cash exclude corporate cash funds. Segment liabilities consist primarily of trade payables, tax payable and accrued charges and other payables. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the region where the customer is located. Total assets and capital expenditure are based on where the assets are located.

Notes to the Financial Statements

For the year ended 31 March 2006

4. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provided. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Details of the business segments are summarised as follows:

- (a) the retail segment represents the selling of bags and accessories via retail shops and department store counters;
- (b) the wholesale segment represents the selling of bags and accessories via overseas agents and distributors; and
- (c) the corporate segment represents investment holding.

(i) Business segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments:

	Retail		Wholesale		Corporate		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Segment revenue:								
Sales to external customers	39,715	45,028	31,198	24,865	-	-	70,913	69,893
Segment results	3,761	7,637	1,219	(3,457)	(9,772)	(13,324)	(4,792)	(9,144)
Finance costs							(508)	(584)
Loss before income tax							(5,300)	(9,728)
Income tax							(100)	(223)
Loss for the year							(5,400)	(9,951)
BALANCE SHEET								
ASSETS								
Segment assets	4,172	8,547	4,806	10,504	5,873	7,517	14,851	26,568
Unallocated assets	-	-	-	-	-	-	-	-
Total assets							14,851	26,568
LIABILITIES								
Segment liabilities	-	66	103	27	6,400	14,547	6,503	14,640
Unallocated liabilities							-	-
Total liabilities							6,503	14,640
Other segment information:								
Depreciation	644	635	962	911	131	196	1,737	1,742
Capital expenditure	208	941	-	527	73	242	281	1,710

Notes to the Financial Statements

For the year ended 31 March 2006

4. SEGMENT INFORMATION (continued)

(ii) Geographical segments

The following table presents revenue, certain assets and expenditure information for the Group's geographical segments.

	Hong Kong, SAR		PRC (not including Hong Kong, SAR)		Taiwan		Singapore		Others		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	53,664	51,660	5,617	3,087	9,393	12,442	1,744	1,876	495	828	70,913	69,893
Other segment information:												
Segment assets	13,145	16,015	673	7,019	1,030	3,442	-	92	3	-	14,851	26,568
Capital expenditure	281	935	-	527	-	248	-	-	-	-	281	1,710

5. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold after allowances for returns and trade discounts. All significant transactions amongst the companies comprising the Group have been eliminated on consolidation.

	2006 HK\$'000	2005 HK\$'000
Turnover		
Sales	70,913	69,893
Other revenue		
Interest income	152	58
Exchange gains	-	216
Management income	900	-
Machinery rental income	600	-
Sundry income	527	407
	2,179	681
Total revenue	73,092	70,574

Notes to the Financial Statements

For the year ended 31 March 2006

6. LOSS FROM OPERATIONS

The Group's loss from operations is arrived at after crediting and charging the following:

	2006 HK\$'000	2005 HK\$'000
Crediting:		
Interest income	152	58
Recovery of bad debts	–	249
Exchange gains	–	216
Charging:		
Auditors' remuneration	250	230
Bad debts written off	1,495	2,190
Cost of inventories sold	38,576	36,628
Depreciation	1,737	1,742
Directors' remuneration (note (8))	909	1,044
Exchange losses	32	–
Provision for impairment of fixed assets	3,500	–
Provision for impairment loss of other investments	–	3,500
Loss on disposal of other investments	260	–
Loss on disposals of fixed assets	–	1,041
Minimum lease payments under operating lease rentals for land and buildings	11,319	10,822
Staff costs (excluding directors' remuneration, note (8))		
Salaries	10,573	11,362
Pension scheme contributions	366	340

7. FINANCE COSTS

	Group	
	2006 HK\$'000	2005 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	508	584

Notes to the Financial Statements

For the year ended 31 March 2006

8. DIRECTORS' REMUNERATIONS

Details of directors' remunerations of the Group disclosed pursuant to the Rules Governing the Listing of Securities on GEM and Section 161 of the Hong Kong Companies Ordinance, are as follows:

Name of Directors	2006				2005
	Fees HK\$'000	Basic salaries, allowance and bonus HK\$'000	Pension scheme contributions HK\$'000	Total emoluments HK\$'000	Total emoluments HK\$'000
<i>Executive Directors</i>					
Ng Pak To, Petto (resigned on 19 April 2006)	-	313	-	313	594
Ho Kai Chung (resigned on 3 May 2005)	-	327	11	338	450
Chan Man Yin (appointed on 1 June 2006)	100	-	-	100	-
Chan Francis Ping Kuen (appointed on 1 February 2006)	20	-	-	20	-
<i>Independent Non-executive Directors</i>					
Lee Kun Hung (appointed on 20 June 2005)	47	-	-	47	-
Wong Hou Yan, Norman (appointed on 20 June 2005)	47	-	-	47	-
Cheung Chi Hwa, Justin (appointed on 4 July 2005)	44	-	-	44	-
	258	640	11	909	1,044

Except for the above, no emolument has been paid to other directors of the Company for the year (2005: Nil).

	Group	
	2006 HK\$'000	2005 HK\$'000
Fees:		
Executive directors	120	-
Independent non-executive directors	138	-
Other emoluments of executive directors:		
Basic salaries, housing benefits, other allowances and benefits in kind	640	1,032
Pension scheme contributions	11	12
	909	1,044

Notes to the Financial Statements

For the year ended 31 March 2006

8. DIRECTORS' REMUNERATIONS (continued)

The emoluments of the Directors of the Company fell within the following bands:

Emolument bands	Number of directors	
	2006	2005
Nil to HK\$1,000,000	7	2

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2005: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2005: two) executive directors, details of whose emoluments are set out in note 8 above. Details of the emoluments of the remaining three (2005: three) employees are set out as follows:

	Group	
	2006 HK\$'000	2005 HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	795	874
Pension scheme contributions	35	36
	830	910

The emoluments of each of the above remaining employees fall within the HK\$Nil – HK\$1,000,000 band.

During the year, no emoluments were paid by the Group to any of the directors or the highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office (2005: Nil).

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration during the year (2005: Nil).

Notes to the Financial Statements

For the year ended 31 March 2006

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in other jurisdictions 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.

(a) The amount of income tax in the consolidated income statement represents:

	Group	
	2006 HK\$'000	2005 HK\$'000
Hong Kong		
Current year	110	150
(Over)/Under provision in prior years	(10)	73
Other jurisdictions	-	-
Tax charge for the year	100	223

The provision for the year can be reconciled from taxation based on the loss per income statement as follows:-

	Group	
	2006 HK\$'000	2005 HK\$'000
Loss before income tax	(5,300)	(9,728)
Tax at the domestic tax rate of 17.5% (2005: 17.5%)	(927)	(1,702)
Tax effect on non-deductible expenses	851	965
Tax effect on non-taxable revenue	(27)	(170)
Tax effect on accelerated depreciation allowance	100	78
Tax effect on prior year's tax losses utilised this year	(82)	(41)
Tax effect on unused tax losses not recognized	195	1,020
(Over)/Under provision in prior years	(10)	73
Tax charge for the year	100	223

(b) Details of deferred taxation of the Group are set out in note 26.

11. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

Net loss attributable to shareholders for the year ended 31 March 2006 dealt with in the financial statements of the Company was HK\$16,545,000 (2005: HK\$59,000).

Notes to the Financial Statements

For the year ended 31 March 2006

12. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2005: Nil).

13. LOSS PER SHARE

Basic loss per share is calculated based on the loss attributable to shareholders of HK\$5,359,000 (2005: HK\$10,045,000) and on the weighted average number of 421,549,370 shares in issue during the year (2005: 400,000,000 shares).

Diluted earnings per share is not presented as there are no diluting events during the year.

14. FIXED ASSETS

Group

	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Cost				
At 1 April 2004	5,010	3,067	2,643	10,720
Additions	2,130	242	1,417	3,789
Disposals	(2,079)	–	(91)	(2,170)
At 1 April 2005	5,061	3,309	3,969	12,339
Additions	–	73	208	281
Impairment loss	(2,841)	–	(659)	(3,500)
At 31 March 2006	2,220	3,382	3,518	9,120
Accumulated depreciation				
At 1 April 2004	752	2,260	1,510	4,522
Charge for the year	503	361	878	1,742
Eliminated on disposals	–	–	(91)	(91)
At 1 April 2005	1,255	2,621	2,297	6,173
Charge for the year	506	317	914	1,737
At 31 March 2006	1,761	2,938	3,211	7,910
Net book value				
At 31 March 2006	459	444	307	1,210
At 31 March 2005	3,806	688	1,672	6,166
At 31 March 2004	4,258	807	1,133	6,198

As at 31 March 2006, plant and machinery of net book value amounting to approximately HKD459,000 were leased to the third party (2005: Nil).

Notes to the Financial Statements

For the year ended 31 March 2006

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006 HK\$'000	2005 HK\$'000
Unlisted shares, at cost	64	64
Due from subsidiaries	83	17,756
	147	17,820

Amounts due are unsecured, interest free and repayable on demand. Details of subsidiaries are as follows:

Company	Place of incorporation/ registration and operations	Nominal value of issued share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Resource Base Enterprises Limited	British Virgin Islands	Ordinary US\$100	100	–	Investment holding
Multi Merchant Investments Limited	British Virgin Islands	Ordinary US\$1,000	100	–	Investment holding
FX Creations International Limited	Hong Kong	Ordinary HK\$500,000	–	100	Retail and distribution of bags
FX International Limited	Hong Kong	Ordinary HK\$1,000,000	–	100	Trading of bags and accessories
Solid Wealth Limited	British Virgin Islands	Ordinary US\$1,000	–	100	Letting of plant and equipment
Million Hero Investments Limited	British Virgin Islands	Ordinary US\$1,000	–	100	Investment holding
Easy Jet Limited	British Virgin Islands	Ordinary US\$50,000	–	100	Investment holding
Join Forever Limited	British Virgin Islands	Ordinary US\$1,000	–	100	Dormant

Notes to the Financial Statements

For the year ended 31 March 2006

15. INVESTMENTS IN SUBSIDIARIES (continued)

Company	Place of incorporation/ registration and operations	Nominal value of issued share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Fresh Design Group Limited	British Virgin Islands	Ordinary US\$1,000	-	100	Dormant
FX Wealthmark International Limited	Hong Kong	Ordinary HK\$1,000,000	-	60	Business not yet commenced
Hugo Point International Limited	Hong Kong	Ordinary HK\$100	-	100	Dormant

16. INVENTORIES

All inventories held at year end are finished goods. At 31 March 2006, no inventories were stated at net realizable value (2005: Nil).

17. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit, which generally have credit terms of up to 90 days (2005: 90 days). Each customer has a maximum credit limit. The Group seeks to maintain strict controls over its outstanding receivables to minimise credit risk. Overdue balances are reviewed by senior management on a regular basis.

Ageing analysis of the Group's accounts receivable as at the balance sheet date based on the goods delivery date is as follows:

	Group	
	2006 HK\$'000	2005 HK\$'000
Within 90 days	3,485	5,570
91-180 days	-	1,013
181-365 days	-	4
Over 1 year	36	4
	3,521	6,591

Notes to the Financial Statements

For the year ended 31 March 2006

18. DUE FROM A MINORITY SHAREHOLDER

Amounts due are unsecured, interest free and repayable on demand.

19. ACCOUNTS PAYABLE

Ageing analysis of the Group's accounts payable as at the balance sheet date based on the goods receipt date is as follows:

	Group	
	2006 HK\$'000	2005 HK\$'000
Within 90 days	3,229	2,748
91-180 days	400	190
181-365 days	51	–
Over 1 year	–	480
	3,680	3,418

	Group	
	2006 HK\$'000	2005 HK\$'000
Represented by:		
Payable to a related company	–	480
Payable to third parties	3,680	2,938
	3,680	3,418

The related company is a subsidiary of the minority shareholder of a subsidiary within the Group.

20. AMOUNT DUE TO A SHAREHOLDER

Amounts due are unsecured, interest free and repayable on demand.

Notes to the Financial Statements

For the year ended 31 March 2006

21. BANK BORROWINGS

	Group	
	2006 HK\$'000	2005 HK\$'000
Bills payable, secured	-	4,381
Bank overdrafts, secured	-	3,810
Short-term bank loans, secured	377	600
Long term bank loans, secured		
Wholly repayable within five years	-	947
Less: Current portion included in current liabilities	-	(947)
Long-term portion	-	-

The above bank borrowings as at 31 March 2006 are secured by personal guarantee given by Mr. Ng Pak To, Petto (Resigned on 19 April 2006), Ms Ho Pui Lai and Mr. Ho Kai Chung, David (Resigned on 3 May 2005).

22. OTHER LONG-TERM LOANS – SECURED

	Group	
	2006 HK\$'000	2005 HK\$'000
Wholly repayable within one to two years	583	-
Less: Current portion included in current liabilities	(500)	-
Long-term portion	83	-

The loan is secured by a personal guarantee from the director, Mr. Ng Pak To, Petto (Resigned on 19 April 2006), and bears interest at 10% per annum. The loan is repaid through monthly instalments up to 9 May 2007.

Notes to the Financial Statements

For the year ended 31 March 2006

23. SHARE CAPITAL

	Number of shares		Value	
	2006	2005	2006 HK\$'000	2005 HK\$'000
Authorised: 10,000,000,000 ordinary shares of HK\$0.01 each	10,000,000,000	10,000,000,000	100,000	100,000
Issued and fully paid:				
At beginning of the year	400,000,000	400,000,000	4,000	4,000
Issue of new shares	60,504,000	–	605	–
At end of the year	460,504,000	400,000,000	4,605	4,000

During the year, the Company allotted and issued 60,504,000 of new shares.

24. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the main purpose of recognising significant contributions of 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 terms success and prosperity.

Eligible participants of the Scheme include any employees, consultants, advisers, suppliers or customers of the Company and its subsidiaries, including any directors of the Company and its subsidiaries. The Scheme became effective on 21 May 2002 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

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 up to the date of grant, is limited to 1% of the shares of the Company in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted in writing within 21 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 shall be determined by the board of directors and notified to the relevant grantee, but must not be more than ten years from the date of grant of the share options.

Notes to the Financial Statements

For the year ended 31 March 2006

24. SHARE OPTION SCHEME (continued)

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the closing price of the Company's share as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option, which must be a business day, (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the option, or (iii) the nominal value of the Company's shares on the date of offer.

Since the Scheme became effective and for the year ended 31 March 2006, no share options have been granted pursuant to the Scheme.

25. RESERVES

Movements of reserves of the Group and Company are set out under the statement of changes in equity.

Under the Companies Law of the Cayman Islands, the share premium is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividends, the Company is also able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles of Association of the Company, with the sanction of an ordinary resolution, dividends may also be declared and paid out of the share premium.

26. UNRECOGNISED DEFERRED TAXATION

At the balance sheet date, the Group had unrecognised deferred taxation assets as follows:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Taxation effect of temporary differences arising as a result of:		
Tax losses available to set off against future assessable profits	299	1,149
Excess of depreciation charged in the financial statements over depreciation allowance claimed for tax purposes	461	397
	760	1,546

No provision for deferred taxation has been recognised in respect of the tax losses as this has not yet been all agreed with the Inland Revenue Department and it is not certain that they can be utilised in the foreseeable future.

Notes to the Financial Statements

For the year ended 31 March 2006

26. UNRECOGNISED DEFERRED TAXATION (continued)

No provision for deferred taxation has been recognised as the amount is insignificant. The amount of unrecognised deferred taxation credit for the year is as follows:

	Group	
	2006 HK\$'000	2005 HK\$'000
Taxation effect of temporary differences arising as a result of:		
Tax losses available to set off against future assessable profits	299	1,149
Taxation effect of timing differences arising as a result of excess of depreciation charged in the financial statements over depreciation allowance claimed for tax purposes	152	88
	451	1,237

The Company had no significant unrecognised deferred taxation at the balance sheet date.

27. CONTINGENT LIABILITIES

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Guarantees given on the banking facilities granted and utilised by subsidiaries	-	-	-	9,738
Bills discount with recourse	-	76	-	-
	-	76	-	9,738

Notes to the Financial Statements

For the year ended 31 March 2006

28. OPERATING LEASE COMMITMENTS

The Group leases certain of its office premises, warehouses, retail shops and department store counters under non-cancellable operating lease arrangements with lease terms ranging from one to three years.

At 31 March 2006, the Group had total future minimum lease payments in respect of non-cancellable operating leases for land and buildings falling due as follows:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Within one year	6,165	8,498
In the second to fifth years, inclusive	3,905	3,582
	10,070	12,080

29. SIGNIFICANT SUBSEQUENT EVENTS

On 25 May 2006, the Company announced and proposed to raise approximately HK\$14.96 million before expenses, by way of an open offer of the new shares, of is not less than 232,552,000 offer shares and not more than 249,302,000 at a price of HK\$0.06 per offer share on the basis of one offer share for every two existing shares. Details of this proposal have been set out in the announcement of the Company dated 25 May 2006.

On 2 June 2006, the Company announced that the Company entered in the memorandum of understanding with Richport Assets and Mr. Lui Shu Kwan ("Mr. Lui"), the ultimate beneficial owner of the Richport Assets in relation to the proposed acquisition of the whole or part of the equity interest held by Mr. Lui and Richport Assets by the Company.

Richport Assets has secured an exclusive distribution rights in relation to the sale and distribution of funeral products and services on a world wide basis.

An amount of HK\$6,000,000 was paid by the Company to Richport Assets as earnest money, if no legally binding formal agreement has been entered into or before 30 September, 2006, the sum will be refundable to the Company in full without interest within three business days.

Details of this proposal have been set out in the announcement of the Company dated 2 June 2006.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 June 2006.