



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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2003

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

* for identification purposes only

RESULTS

The board of directors (the “Directors”) of FX Creations International Holdings Limited (the “Company”) herein present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2003 together with the comparative figures for the previous year as follows:

	<i>Notes</i>	2003 HK\$'000	2002 <i>HK\$'000</i>
Turnover	2	59,564	49,587
Cost of goods sold		(28,989)	(18,416)
Gross profit		30,575	31,171
Other revenue	2	497	244
Selling and distribution costs		(17,595)	(17,899)
Administrative expenses		(10,564)	(10,793)
Profit from operations	3	2,913	2,723
Finance costs	4	(660)	(381)
Profit before tax		2,253	2,342
Taxation	5	(542)	(422)
Profit before minority interests		1,711	1,920
Minority interests		(15)	–
Net profit attributable to shareholders		1,696	1,920
Dividend	6	–	2,000
Earnings per share	7		
Basic		HK0.44 cent	HK0.69 cent
Diluted		N/A	N/A

Notes:

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

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

Pursuant to a group reorganisation scheme (the “Group Reorganisation”) to rationalise the group structure in preparation for the listing of the Company’s shares on GEM of the Stock Exchange, the Company became the holding company of its subsidiaries (collectively the “Group”) on 2 May 2002. Details of the Group Reorganisation are set out in the prospectus issued by the Company dated 8 May 2002.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the results of the Group have been prepared on the merger basis as set out in the Statement of Standard Accounting Practice No. 27 “Accounting for group reconstructions” issued by the Hong Kong Society of Accountants.

The shares of the Company were listed on GEM on 21 May 2002.

2. TURNOVER AND REVENUE

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

	2003 <i>HK\$’000</i>	2002 <i>HK\$’000</i>
Turnover		
Sales	59,564	49,587
Other revenue		
Interest income	67	50
Sundry income	430	194
Total revenue	<u>60,061</u>	<u>49,831</u>

3. PROFIT FROM OPERATIONS

The Group’s profit from operations is stated after charging the following:

	2003 <i>HK\$’000</i>	2002 <i>HK\$’000</i>
Auditors’ remuneration	336	476
Depreciation	1,481	1,570
Staff costs (excluding directors’ emoluments)		
Salaries	8,933	10,674
Pension scheme contributions	321	411
Minimum lease payments under operating lease rentals for land and buildings	10,357	12,421
Exchange (gains) /losses, net	<u>(2)</u>	<u>209</u>

4. FINANCE COSTS

Finance costs represents interest on bank loans and overdrafts wholly repayable within five years.

5. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16% (2002: 16%) 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 places in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Deferred taxation in respect of timing differences between profit as computed for taxation purposes and profit as stated in the consolidated results has not been accounted for as the effect of timing differences is not material.

6. DIVIDEND

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Special dividend	<u>–</u>	<u>2,000</u>

During the year ended 31 March 2002, a special dividend was paid by a subsidiary of the Group to its then shareholders prior to the Group Reorganisation.

7. EARNINGS PER SHARE

Basic earnings per share is calculated based on the profit attributable to shareholders of HK\$1,696,000 and on the weighted average number of 386,701,000 shares in issue during the year.

The comparative basic earnings per share is calculated based on the profit attributable to shareholders of HK\$1,920,000 and on the weighted average of 280,000,000 shares deemed to be in issue throughout that year.

Diluted earnings per share amount for the years ended 31 March 2002 and 2003 have not been disclosed as no diluting events existed during those years.

8. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. 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. Summary details of the business segments are 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.

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.

(a) **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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment revenue:								
Sales to external customers	<u>32,437</u>	<u>32,726</u>	<u>27,127</u>	16,861	<u>–</u>	<u>–</u>	<u>59,564</u>	<u>49,587</u>
Segment results	<u>4,213</u>	<u>3,728</u>	<u>5,616</u>	<u>2,654</u>	<u>(6,916)</u>	<u>(3,659)</u>	<u>2,913</u>	<u>2,723</u>
Finance costs							<u>(660)</u>	<u>(381)</u>
Profit before tax							<u>2,253</u>	<u>2,342</u>
Taxation							<u>(542)</u>	<u>(422)</u>
Profit before minority interests							<u>1,711</u>	<u>1,920</u>
Minority interests							<u>(15)</u>	<u>–</u>
Net profit attributable to shareholders							<u>1,696</u>	<u>1,920</u>
ASSETS								
Segment assets	<u>5,633</u>	4,421	<u>12,259</u>	3,011	<u>16,821</u>	4,258	<u>34,713</u>	11,690
Unallocated assets							<u>–</u>	<u>625</u>
Total assets							<u>34,713</u>	<u>12,315</u>
LIABILITIES								
Segment liabilities	<u>2,281</u>	–	<u>4,453</u>	–	<u>6,463</u>	4,589	<u>13,197</u>	4,589
Unallocated liabilities							<u>–</u>	<u>5,968</u>
Total liabilities							<u>13,197</u>	<u>10,557</u>
Other segment information:								
Depreciation	<u>746</u>	1,280	<u>251</u>	–	<u>484</u>	290	<u>1,481</u>	<u>1,570</u>
Capital expenditure	<u>693</u>	<u>501</u>	<u>5,011</u>	<u>–</u>	<u>1,918</u>	<u>397</u>	<u>7,622</u>	<u>898</u>

(b) **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		Other		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	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	<u>39,233</u>	<u>32,136</u>	<u>6,169</u>	<u>9,254</u>	<u>11,345</u>	<u>5,621</u>	<u>1,693</u>	<u>1,603</u>	<u>1,124</u>	<u>973</u>	<u>59,564</u>	<u>49,587</u>
Other segment information:												
Segment assets	<u>23,337</u>	<u>9,421</u>	<u>9,267</u>	<u>1,335</u>	<u>1,964</u>	<u>1,214</u>	<u>18</u>	<u>230</u>	<u>127</u>	<u>115</u>	<u>34,713</u>	<u>12,315</u>
Capital expenditure	<u>396</u>	<u>554</u>	<u>6,812</u>	<u>-</u>	<u>414</u>	<u>344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,622</u>	<u>898</u>

9. **RESERVES MOVEMENT**

	Share premium HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2001	-	1,782	1,782
Net profit for the year	-	1,920	1,920
Dividend paid	-	(2,000)	(2,000)
At 31 March 2002	-	1,702	1,702
Issue of shares to the Pre-IPO Investors	4,867	-	4,867
Capitalisation issue	(3,126)	-	(3,126)
New issue on public listing	20,250	-	20,250
Shares issue expenses	(8,288)	-	(8,288)
Net profit for the year	-	1,696	1,696
At 31 March 2003	<u>13,703</u>	<u>3,398</u>	<u>17,101</u>

MANAGEMENT DISCUSSION AND ANALYSIS

General

The Group is principally engaged in retail sales 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, Singapore, Malaysia, Indonesia, Australia, New Zealand, Korea, Japan and Europe markets.

Market Overview

The retail environment in Hong Kong and Taiwan continued to be weak due to weak consumer demand and the continued weak global economy. Despite this, the Group managed to achieve a growth in its sales by opening more retail outlets in Taiwan and by increasing its sales to wholesalers. The Group believes that introducing more new designs and products at competitive prices is the strategy in this weak consumer market and hence, controlling operating costs will be crucial.

Business Overview

During the year ended 31 March 2003, the Group opened 3 new retail outlets and closed 3 retail outlets in Hong Kong. In Taiwan, the Group opened 7 new retail outlets and closed 6 retail outlets in the year under review. The retail outlets were closed because of the expiry of the leases and the Group considered it not economically feasible to renew the leases.

The Group launched two new brands, USU, for bags such as casual bags, briefcases and waist bags and Annvu for ladies bags during the year. The new brands continued to broaden the Group's product range.

During the year, the Group entered into partnership with a new agent in the United Kingdom.

At the same time, the Group set up its own manufacturing capacity through a processing agent in the PRC.

FINANCIAL REVIEW

Results

During the year ended 31 March 2003, the Group recorded a turnover of approximately HK\$59,564,000 (2002: HK\$49,587,000), an increase of approximately 20% compared to the previous corresponding year. The turnover for the year ended 31 March 2003 comprised retail sales and wholesale sales which accounted for approximately 55% and 45% (2002: 66% and 34%) of the total turnover respectively. As at 31 March 2003, the Group had 12 (2002: 12) retail outlets in Hong Kong which consisted of 6 (2002: 8) retail shops and 6 (2002: 4) department store counters and 13 (2002: 12) department store counters in Taiwan.

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

Net profit attributable to shareholders for the year ended 31 March 2003 amounted to approximately HK\$1,696,000 (2002: HK\$1,920,000), a decrease of approximately 12% compared to the previous corresponding year. The decrease was mainly attributable to the decrease in gross profit margin as a result of higher portion of sales to wholesalers which commanded lower gross profit margins.

Liquidity, financial resources and capital structure

For the year under review, the Group financed its operations with its own working capital and bank borrowings of approximately HK\$6,889,000 as at 31 March 2003 (2002: HK\$5,460,000).

As at 31 March 2003, the Group had net current assets of approximately HK\$8,984,000 (2002: HK\$118,000) including bank and cash balances of approximately HK\$6,837,000 (2002: HK\$223,000) and pledged bank deposits of approximately HK\$3,403,000 (2002: HK\$1,840,000).

At 31 March 2003, the Group had total available banking facilities of approximately HK\$23,804,000 (2002: HK\$10,210,000) which were supported by the following:

- (a) the pledge of a bank deposit of approximately HK\$3,403,000 (2002: HK\$1,840,000);
- (b) corporate guarantee executed by the Company totaling to HK\$20,517,000 (2002: Nil); and
- (c) the pledge of certain current asset of a subsidiary of the Company amounting to HK\$156,000 (2002: HK\$156,000).

As at 31 March 2003, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was approximately 0.20 (2002: 0.44). To Group has no fixed interest bank borrowing. All the bank borrowings were denominated in HK Dollars.

As at 31 March 2003, the Group has outstanding bank borrowings of approximately HK\$6,889,000 (2002: HK\$5,460,000). The bank borrowings comprised secured bank overdrafts of approximately HK\$2,637,000 (2002: HK\$2,078,000), secured trust receipt loans of approximately HK\$2,390,000 (2002: HK\$1,321,000), a secured bank loan of approximately HK\$1,862,000 (2002: HK\$600,000) and nil unsecured bank loans (2002: HK\$1,461,000). As at 31 March 2003, all the bank borrowings are repayable within one year. As at 31 March 2002, approximately HK\$5,215,000 was repayable within one year and approximately HK\$245,000 was repayable in the second year.

Significant investments

At 31 March 2003, there was no significant investment held by the Group (2002: Nil).

Material acquisition or disposal of subsidiaries and affiliated companies

Other than in connection with the Group Reorganisation in preparation for the listing of the Company's shares on GEM on 21 May 2002, there were no material acquisition or disposal of subsidiaries and affiliated companies in the course of the year.

Contingent liabilities

As at 31 March 2003, the Group had the following contingent liabilities:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Bills discounted with recourse	<u>201</u>	<u>–</u>

As at 31 March 2003, the Company had provided guarantees for banking facilities granted and utilised by subsidiaries of approximately HK\$7,079,000 (2002: Nil).

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 2003, the Group had total future minimum lease payments in respect of non-cancellable operating leases falling due as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Land and buildings expiring:		
Within one year	5,854	7,287
In the second to fifth years, inclusive	1,640	5,958
	<u>7,494</u>	<u>13,245</u>

At the balance sheet date, the Group had not contracted any commitment in respect of purchases of fixed assets (2002: HK\$157,500).

Foreign exchange exposure

The Group's income and expenditure during the year ended 31 March 2003 were denominated in US Dollars, HK Dollars and New Taiwanese ("NT") Dollars, and most of the assets and liabilities as at 31 March 2003 were denominated in HK Dollars and NT Dollars. Accordingly, the Directors are of the view that, to certain extent, the Group is exposed to foreign currency exchange risk. For the US Dollars foreign exchange exposure, the Director believe 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 of directors 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.

Segment information

Business segments

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Retail sales	32,437	32,726
Wholesale sales	27,127	16,861
	<u>59,564</u>	<u>49,587</u>

Geographical segments

PRC:		
Hong Kong, SAR	39,233	32,136
Elsewhere	6,169	9,254
Taiwan	11,345	5,621
Singapore	1,693	1,603
Others	1,124	973
	<u>59,564</u>	<u>49,587</u>

Business segments

Retail sales

Retail sales decreased by approximately 1%, as compared to the previous corresponding year, to HK\$32,437,000 (2002: HK\$32,726,000). Owing to the weak consumer spending in Taiwan and Hong Kong, no significant growth in retail sales was recorded despite the increase in the number of total retail outlets.

Wholesale sales

Wholesale sales comprised sales to agents and sales to distributors.

Sales to agents decreased by approximately 40%, as compared to the previous corresponding year, to approximately HK\$6,836,000 (2002: HK\$11,263,000). The decrease was mainly attributed to the decrease in sales to new and existing agents. A new agent was engaged in the United Kingdom during the year.

Sales to distributors increased by approximately 262%, as compared to the previous corresponding year, to approximately HK\$20,291,000 (2002: HK\$5,598,000). The increase was mainly attributed to increase in sales to new and existing distributors.

Geographical segment

For the year ended 31 March 2003, sales in Hong Kong, SAR increased by approximately 22% compared to the previous corresponding year. The increase was mainly attributed to the increase in sales to distributors in HK who resell to other countries.

For the year ended 31 March 2003, sales to elsewhere in the PRC decreased by approximately 33% compared to the previous corresponding year. The decrease was mainly attributed to the decrease in sales to the Group's agent in the PRC.

For the year ended 31 March 2003, sales to Taiwan increased by approximately 102% compared to the previous corresponding year. The increase was mainly attributed to the opening of new retail outlets in Taiwan.

For the year ended 31 March 2003, sales to Singapore increased by approximately 6% compared to the previous corresponding year. The increase was mainly attributed to increase in sales to the Group's agent in Singapore.

For the year ended 31 March 2003, sales to other countries increased by approximately 16% compared to the previous corresponding year. The increase was mainly attributed to the increase in orders from countries other than above.

Please refer to note 8 of this results announcement for details on business and geographical segments.

Future plans for material investments and expected source of funding

Details for the Group's future plans for material investments or capital assets and their expected source of funding have been stated in the Company's Prospectus under the sections headed "Statement of Business Objectives" and "Reasons for the Share Offer and the Use of Proceeds" respectively. Other than those disclosed, the Group did not have any plan for material investments or capital assets.

Employees and remuneration policies

As at 31 March 2003, the Group had 87 (2002: 81) full time employees. Remuneration is determined by 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. To date, no share options have been granted to employees.

PROSPECTS

The Group foresees that the retail environment in Hong Kong and Taiwan to be weak in the coming year due to weak domestic demand and weak global economy generally. To cope with such challenges, the Group will continue to implement new promotion strategies to boost sales and also introduce new designs and products more frequently to keep up with the corporate image and maintain consumers' interests in the products of the Group. At the same time, the Group will also continue to expand its sales to wholesalers to target overseas markets.

The Group will continue to work towards its objective of promoting FX CREATIONS to be a brandname for stylish bags and lifestyle consumer products in the world market. With this in mind, the Group is confident of meeting the challenges ahead.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the actual progress of the Group compared with the business objectives set out in the Prospectus for the period from 1 October 2002 to 31 March 2003 (the “Reivew Period”)

According to the business objectives as stated in the Prospectus

Actual business progress in the Reivew Period

Sales and marketing:

Open new retail outlets in Hong Kong and Taiwan

The Group opened 3 retail outlets in Hong Kong during the year. 3 retail outlets were closed during the year as the leases expired and the Group considered it not economically feasible to renew the leases.

In Taiwan, 7 retail outlets were opened and 6 retail outlets were closed due to expiry of the leases during the year.

Enter into partnerships with new agents in new areas

The Group entered into partnership with an agent in the United Kingdom during the year.

The Group is in the process of finalising the partnership agreement with a new agent in Thailand.

Promote and strengthen brand loyalty:
Enter into partnerships with business partners to issue credit cards

The Group has suspended plans to enter into partnerships with business partners to issue credit cards as the operating costs for issuing credit cards is not economically justified.

Conduct advertising campaigns:
Billboards, advertisement on transportations, road shows, participation in promotions, sponsorships

The Group continued to conduct advertising campaigns such as bill boards and road shows during the year. The Group also participated in promotion activities with credit card issuers.

Increase the profile of FX CREATIONS members club via advertisement and promotions

The Group conducted advertisements and promotion via posters and leaflets to increase the profile of FX CREATIONS members club.

According to the business objectives as stated in the Prospectus

Design and product development:

Develop new series and models for existing products

Develop professional office bags

Develop eyewear products with business partners under the FX CREATIONS brandname

Geographical expansion:

Negotiate and sign up new sole agents in Japan

Negotiate and sign up new agents in USA

Human resources development

Expand the marketing and retail sales team

Expand the product development and design team

Expand the production and quality control team

Actual business progress in the Review Period

During the year, the Group developed a series of professional office bags under the brandname FX CREATIONS. At the same time, the Group also introduced two new brands: USU for bags such as casual bags, briefcases and waist bags and Annvu for ladies bags.

The Group developed and introduced a series of professional office bags under the brandname FX CREATIONS.

The Group has entered into an agreement with a company in Hong Kong to develop eyewear products under the FX CREATIONS brandname. Eyewear products were developed by the business partner and were sold under the FX CREATIONS brandname.

The Group has commenced negotiations with its existing authorized distributors on sole agency arrangement in Japan and the negotiation is still ongoing. The Group expects to conclude the negotiation by September 2003.

The Group has commenced identification of potential agents in the US. No agreement has been reached as at 31 March 2003.

As at 31 March 2003, there are 56 staff in the marketing and retail sales team (2002: 48).

As at 31 March 2003, there are 6 staff in the product development and design team (2002: 5).

As at 31 March 2003, there are 13 staff in the production and quality control team (2002: 12).

According to the business objectives as stated in the Prospectus

Implementation of training programmes to improve the marketing skills of staff

To recruit more experienced management staff

Production:

Set up own production facilities in China

Actual business progress in the Review Period

The Group continued to implement various staff training programs to improve the marketing skills of front end staff.

The Group recruited one new production manager with extensive experience in production during the year.

As planned, the Group has commenced to establish its own manufacturing capacity through a processing agent in the PRC. During the year, the Group acquired plant, machinery and production facilities and worked with a processing agent in Guanlan, Shenzhen, the PRC. Under the processing agent arrangement, the Group will be responsible for the provision of plant, machinery, related leasehold improvements and fixtures and the processing agent will be responsible for the provision of production premises, water, electricity and labour.

USE OF PROCEEDS

The Company was listed on GEM on 21 May 2002 by way of placing and public offer of 81,000,000 shares. The net proceeds from such placement and public offer, after deduction of the related expenses, were approximately HK\$12,800,000 and were applied during the period from 3 May 2002 (Latest Practicable Date) to 31 March 2003 in accordance with the proposed application set out in the Company's prospectus dated 8 May 2002, as follows:

	Proposed <i>HK\$'000</i>	Actual <i>HK\$'000</i>
Opening of new retail outlets	800	800
Marketing and promotion	400	400
Production facilities (<i>Note</i>)	10,000	7,400
Geographical expansion	200	200
	<hr/>	<hr/>
Total	<u>11,400</u>	<u>8,800</u>

Note:

The Group intends to utilise the funding for the production facilities in subsequent periods. The delay has been due to the Group's decision to set up the production facilities in several stages to allow the set up to be more effective.

The remaining net proceeds as at 31 March 2003 was approximately HK\$4 million and was placed with a bank in Hong Kong.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON GEM (THE “GEM LISTING RULES”)

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of the Company’s shares on GEM on 21 May 2002.

AUDIT COMMITTEE

The Company set up an audit committee (the “Committee”) on 2 May 2002, with written terms of reference in compliance with the Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises the two independent non-executive directors of the Company, namely Mr. Christopher C. Leu and Ms. Kau Man Wai, Leslie. The consolidated financial statements of the Group for the year ended 31 March 2003 have been reviewed by the Committee, who are 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. 4 meetings were held during the current financial year.

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

Since the listing of the Company’s shares on GEM on 21 May 2002 and up to the date of this announcement, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities.

By Order of the Board
Ng Pak To, Petto
Chairman

Hong Kong, 24 June 2003

The announcement will remain on GEM website on the “Latest Company Announcements” page for 7 days from the day of its posting.