



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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2005

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This announcement, for which the directors (the “Directors”) of FX Creations International Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. 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 “Board”) of 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 2005 together with the comparative figures for the previous year as follows:

	<i>Notes</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover	2	69,893	65,847
Cost of sales		<u>(36,628)</u>	<u>(34,318)</u>
Gross profit		33,265	31,529
Other revenue	2	681	557
Selling and distribution costs		(23,596)	(17,797)
Administrative expenses		<u>(19,494)</u>	<u>(13,146)</u>
(Loss)/profit from operations	3	(9,144)	1,143
Finance costs	4	<u>(584)</u>	<u>(499)</u>
(Loss)/profit before taxation		(9,728)	644
Taxation	5	<u>(223)</u>	<u>(281)</u>
(Loss)/profit before minority interests		(9,951)	363
Minority interests		<u>(94)</u>	<u>388</u>
Net (loss)/profit attributable to shareholders		<u>(10,045)</u>	<u>751</u>
Dividends	6	<u>–</u>	<u>–</u>
(Loss)/earnings per share	7		
Basic		<u>(HK2.51 cents)</u>	<u>HK0.19 cent</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Notes:

1. BASIS OF PREPARATION

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 financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

2. 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.

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover		
Sales	<u>69,893</u>	<u>65,847</u>
Other revenue		
Interest income	58	17
Exchange gains	216	–
Sundry income	<u>407</u>	<u>540</u>
	<u>681</u>	<u>557</u>
Total revenue	<u>70,574</u>	<u>66,404</u>

3. (LOSS)/PROFIT FROM OPERATIONS

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Crediting:		
Interest income	58	17
Recovery of bad debts	249	–
Exchange gains	<u>216</u>	<u>56</u>
Charging:		
Auditors' remuneration	230	270
Bad debts written off	2,190	–
Cost of inventories sold	36,628	34,318
Depreciation	1,742	1,498
Directors' remuneration	1,044	1,092
Provision for impairment loss of other investments	3,500	–
Loss on disposals of fixed assets	1,041	–
Minimum lease payments under operating lease rentals for land and buildings	10,822	9,188
Staff costs (excluding directors' remuneration)		
Salaries	11,362	8,953
Pension scheme contributions	<u>340</u>	<u>267</u>

4. FINANCE COSTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within five years	<u>584</u>	<u>499</u>

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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 places in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The amount of taxation in the consolidated profit and loss account represents:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Hong Kong		
Current year	150	281
Under provision in prior years	73	–
Other jurisdictions	<u>–</u>	<u>–</u>
Tax charge for the year	<u>223</u>	<u>281</u>

The provision for the year can be reconciled from taxation based on the (loss)/profit per income statement as follows:–

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
(Loss)/profit before taxation	(9,728)	644
Tax at the domestic tax rate of 17.5% (2004: 17.5%)	(1,702)	113
Tax effect on non-deductible expenses	965	434
Tax effect on non-taxable revenue	(170)	(158)
Tax effect on accelerated depreciation allowance	78	(82)
Tax effect on prior year's tax losses utilised this year	(41)	–
Tax effect on unused tax losses not recognised	1,020	–
Under provision in prior years	73	–
Others	–	(26)
	<hr/> 223 <hr/>	<hr/> 281 <hr/>
Tax charge for the year	223	281

6. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2004: Nil).

7. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated based on the loss attributable to shareholders of HK\$10,045,000 (2004: earnings of HK\$751,000) and on the weighted average number of 400,000,000 shares in issue during the year (2004: 400,000,000 shares).

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

8. 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	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment revenue:								
Sales to external customers	<u>45,028</u>	34,840	<u>24,865</u>	31,007	–	–	<u>69,893</u>	65,847
Segment results	<u>7,637</u>	6,558	<u>(3,457)</u>	2,637	<u>(13,324)</u>	(8,052)	<u>(9,144)</u>	1,143
Finance costs							<u>(584)</u>	(499)
(Loss)/profit before tax							<u>(9,728)</u>	644
Taxation							<u>(223)</u>	(281)
(Loss)/profit before minority interests							<u>(9,951)</u>	363
Minority interests							<u>(94)</u>	388
Net (loss)/profit attributable to shareholders							<u>(10,045)</u>	<u>751</u>
BALANCE SHEET								
ASSETS								
Segment assets	<u>8,547</u>	5,728	<u>10,504</u>	15,414	<u>7,517</u>	16,185	<u>26,568</u>	37,327
Unallocated assets	–	–	–	–	–	–	–	–
Total assets							<u>26,568</u>	<u>37,327</u>
LIABILITIES								
Segment liabilities	<u>66</u>	20	<u>27</u>	189	<u>14,547</u>	15,239	<u>14,640</u>	15,448
Unallocated liabilities	–	–	–	–	–	–	–	–
Total liabilities							<u>14,640</u>	<u>15,448</u>
Other segment information:								
Depreciation	<u>635</u>	376	<u>911</u>	501	<u>196</u>	621	<u>1,742</u>	1,498
Capital expenditure	<u>941</u>	414	<u>527</u>	–	<u>242</u>	195	<u>1,710</u>	609

(ii) Geographical segments

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

	Hong Kong, SAR		People's Republic of China ("PRC") (not including Hong Kong, SAR)		Taiwan		Singapore		Others		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	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>51,660</u>	<u>48,059</u>	<u>3,087</u>	<u>4,257</u>	<u>12,442</u>	<u>10,340</u>	<u>1,876</u>	<u>1,755</u>	<u>828</u>	<u>1,436</u>	<u>69,893</u>	<u>65,847</u>
Other segment information:												
Segment assets	<u>16,015</u>	<u>27,296</u>	<u>7,019</u>	<u>7,426</u>	<u>3,442</u>	<u>2,605</u>	<u>92</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,568</u>	<u>37,327</u>
Capital expenditure	<u>935</u>	<u>547</u>	<u>527</u>	<u>-</u>	<u>248</u>	<u>62</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,710</u>	<u>609</u>

9. RESERVE MOVEMENTS

	Share premium HK\$'000	Retained earnings/ (Accumulated losses) HK\$'000	Total HK\$'000
Balance at 1 April 2003	13,703	3,398	17,101
Net profit for the year	<u>-</u>	<u>751</u>	<u>751</u>
Balance at 1 April 2004	13,703	4,149	17,852
Net loss for the year	<u>-</u>	<u>(10,045)</u>	<u>(10,045)</u>
Balance at 31 March 2005	<u>13,703</u>	<u>(5,896)</u>	<u>7,807</u>

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.

Market Overview

The retail environments in Hong Kong enjoyed a robust year last year due to the influx of visitors from PRC as a result of the new policy on the granting of visas to individuals visiting Hong Kong. The Group achieved an increase in retail sales of approximately 29.2% in the year under review. The Group will continue to introduce new and innovative designs and products at competitive prices, coupled with the various attractive promotion strategies, to boost its retail sales.

However, the Group recorded a decrease in wholesale sales by approximately 19.8% in the year under review compared to the previous corresponding year mainly due to lower orders from existing customers and decrease in average selling price.

As a result of the above, overall sales increased by approximately 6.1%.

Business Overview

During the year ended 31 March 2005, the Group opened 9 retail outlets and closed 1 retail outlet in Hong Kong. 3 retail outlets were opened and 1 retail outlet was closed in Taiwan. The retail outlets were closed because of the expiry of the leases and the Group considered it is not economically feasible to renew the leases.

The Group continued to identify potential new agents in new areas but no new agency agreement was signed during the year ended 31 March 2005. 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\$10,045,000 was recorded in the year under review. The losses were mainly attributed to increase in the rental expenses, increase in the cost of the sales staff, provision for impairment of investments, losses from disposals of fixed assets and write-off of bad debts.

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.

FINANCIAL REVIEW

Results

For the year ended 31 March 2005, the Group recorded a turnover of approximately HK\$69,893,000 (2004: approximately HK\$65,847,000), representing an increase of approximately 6.1% as compared to the previous corresponding year. The increase in turnover was attributed to the increase in sales in the retail outlets both in Hong Kong and Taiwan by approximately 33.0% and 20.3% respectively. The increase in sales in the retail outlets was, however, reduced by the decrease in wholesale sales by approximately 19.8% due to decrease in orders from existing customers and decrease in average selling price making the overall increase in turnover to approximately 6.1%.

Net loss attributable to shareholders for the year ended 31 March 2005 amounted to approximately HK\$10,045,000 as compared to net profit attributable to shareholders of approximately HK\$751,000 for the year ended 31 March 2004. The losses were mainly attributed to increase in the rental expenses, increase in the cost of the sales staff, provision for impairment of investments, losses from disposals of fixed assets and write-off of bad debts.

Liquidity, financial resources and capital structure

During the year, the Group financed its operations with its own working capital and bank borrowings, which was approximately HK\$9,738,000 as at 31 March 2005 (2004: approximately HK\$9,483,000).

As at 31 March 2005, the Group had net current assets of approximately HK\$3,209,000 (2004: approximately HK\$10,173,000) including bank and cash balances of approximately HK\$1,527,000 (2004: approximately HK\$6,765,000) and pledged bank deposits of approximately HK\$2,742,000 (2004: approximately HK\$3,567,000).

At 31 March 2005, the Group had total available banking facilities of approximately HK\$14,887,000 (2004: approximately HK\$16,343,000) which were supported by the following:

- (i) the pledge of bank deposits of approximately HK\$2,742,000 (2004: approximately HK\$3,567,000);
- (ii) corporate guarantee executed by the Company totaling HK\$12,253,000 (2004: HK\$14,873,000); and
- (iii) the pledge of certain assets of a subsidiary of the Company amounting to HK\$1,764,000 (2004: HK\$934,000).

As at 31 March 2005, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was approximately 0.37 (2004: 0.25). The Group has no fixed interest bank borrowing. All the bank borrowings were denominated in Hong Kong (“HK”) dollars.

As at 31 March 2005, the Group has outstanding bank borrowings of approximately HK\$9,738,000 (2004: approximately HK\$9,483,000). The bank borrowings comprised secured bank overdrafts of approximately HK\$3,810,000 (2004: approximately HK\$3,644,000), secured bills payable of approximately HK\$4,381,000 (2004: approximately HK\$3,556,000) and secured bank loans of approximately HK\$1,547,000 (2004: approximately HK\$2,283,000). As at 31 March 2005, approximately HK\$9,738,000 (2004: approximately HK\$8,880,000) was repayable within one year and no balance (2004: approximately HK\$603,000) was repayable in the second year.

The shares of the Company were listed on GEM on 21 May 2002. There has been no change in the capital structure of the Company since that day.

Significant investments

Other than the investment in a company listed in Hong Kong detailed in note 15 to the financial statements in the annual report of the Company, as at 31 March 2005, there was no other significant investment held by the Group. A provision of HK\$3,500,000 has been made for the impairment in value during the year.

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 2005, the Group had the following contingent liabilities:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Bills discount with recourse	<u>76</u>	<u>100</u>

As at 31 March 2005, the Company had provided guarantees for banking facilities granted to and utilised by subsidiaries of approximately HK\$9,738,000 (2004: approximately HK\$9,483,000).

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 2005, the Group had total future minimum lease payments in respect of non-cancellable operating leases for land and buildings falling due as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	8,498	4,068
In the second to fifth years, inclusive	<u>3,582</u>	<u>2,793</u>
	<u>12,080</u>	<u>6,861</u>

At the balance sheet date, the Group had no contracted commitment in respect of licence fee (2004: approximately HK\$137,000).

Foreign exchange exposure

The Group's income and expenditure during the year ended 31 March 2005 were denominated in United States ("US") dollars, HK dollars and New Taiwanese ("NT") dollars, and most of the assets and liabilities as at 31 March 2005 were denominated in HK dollars and NT dollars. Accordingly, the Board is of the view that, to 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.

Segment information

Business segments

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Retail sales	45,028	34,840
Wholesale sales	24,865	31,007
	<hr/> 69,893 <hr/>	<hr/> 65,847 <hr/>

Geographical segments

PRC:		
Hong Kong, SAR	51,660	48,059
Elsewhere	3,087	4,257
Taiwan	12,442	10,340
Singapore	1,876	1,755
Others	828	1,436
	<hr/> 69,893 <hr/>	<hr/> 65,847 <hr/>

Business segments

Retail sales

Retail sales increased by approximately 29.2%, as compared to the previous corresponding year, to approximately HK\$45,028,000 (2004: approximately HK\$34,840,000). The increase was attributed to the increase in sales in the retail outlets both in Hong Kong and Taiwan by approximately 33.0% and 20.3% respectively.

Wholesale sales

Wholesale sales comprised sales to agents and sales to distributors.

Sales to agents decreased by approximately 19.0%, as compared to the previous corresponding year, to approximately HK\$5,337,000 (2004: approximately HK\$6,591,000). The decrease was mainly attributed to the decrease in sales to the agents in the PRC.

Sales to distributors decreased by approximately 20.0%, as compared to the previous corresponding year, to approximately HK\$19,528,000 (2004: approximately HK\$24,416,000). The decrease was mainly attributed to the decrease in orders from existing customers and decrease in average selling price.

Geographical segments

For the year ended 31 March 2005, sales in Hong Kong increased by approximately 7.5% as compared to the previous corresponding year. The increase was mainly attributed to the increase in sales in the retail outlets in Hong Kong.

For the year ended 31 March 2005, sales to elsewhere in the PRC decreased by approximately 27.5% as compared to the previous corresponding year. The decrease was mainly attributed to the decrease in sales to the Group's agents in the PRC.

For the year ended 31 March 2005, sales to Taiwan increased by approximately 20.3% as compared to the previous corresponding year. The increase was mainly attributed to the increase in sales in the retail outlets in Taiwan.

For the year ended 31 March 2005, sales to Singapore increased by approximately 6.9% as compared to the previous corresponding year. The increase was attributed to the increase in sales to the Group's agent in Singapore.

For the year ended 31 March 2005, sales to other countries decreased by approximately 42.3% 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 3 to the financial statements in the annual report of the Company 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 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 therein and under sections headed "Comparison of Business Objectives with Actual Business Progress" and "Use of Proceeds" in this announcement, the Group did not have any other plans for material investments or capital assets. However, the Group is constantly looking for opportunities for investments or capital assets to enhance shareholders' value.

Employees and remuneration policies

As at 31 March 2005, the Group had 137 (2004: 108) employees, including directors. Total staff costs (including directors' emoluments) were approximately HK\$12,746,000 for the year ended 31 March 2005 (2004: approximately HK\$10,312,000). 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. To date, no share options have been granted to employees.

PROSPECTS

Tourism has been an important hub for driving the growth of Hong Kong economy in the past year and will continue to be so in the coming year. With the continued influx of visitors, especially from the PRC, which brings with it huge spending power, the Board believes the strategy forward for the retail market is to capture the spending from these PRC visitors. The Group will continue to broaden its product base in introducing more new innovative designs and products and to keep up with the corporate image and to maintain consumer's interests in the products of the Group. The Group will also continue to implement various attractive marketing and promotion activities, such as event sponsorship, and strategies to promote the Group's brandname and to boost sales. In the meantime, the Group will also implement various costs control measures. On the wholesale side, the Group will continue to identify agents and distributors to target overseas markets.

To improve its financial results of the Group, the Group will rationalise its operation by reducing its administrative expenses by appointing distributors to handle its retail outlets. At the same time, the Group will also look for opportunities to diversify its business in order to increase its source of revenue. The Group will also assess the economic efficiency of its assets and may reallocate the assets where appropriate.

The Group will also 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 issued by the Company dated 8 May 2002 (“Prospectus”) for the period from 1 October 2004 to 31 March 2005 (the “Review Period”).

According to the business objectives as stated in the Prospectus

Actual business progress in the Review Period

Sales and marketing:

Open new retail outlets in Hong Kong and Taiwan

As at 31 March 2005, there were 18 retail outlets in Hong Kong which consisted of 7 retail shops and 11 department store counters, and 11 retail outlets in Taiwan.

During the Review Period, 2 retail outlets were opened and 1 retail outlet was closed in Hong Kong. 3 retail outlets were opened in Taiwan.

The Group continued to identify new retail outlet premises in Hong Kong and Taiwan.

Enter into partnerships with new agents in new areas

The Group continued on the lookout of potential new agents in new areas and is finalising its partnership agreements with agents in Thailand and Korea.

Conduct advertising campaigns:

Billboards, advertisement on transportations, road shows, participation in promotions, sponsorships

The Group continued to conduct advertising campaigns such as billboards, magazines and road shows. The Group also sponsored gifts for a television programme and participated in promotion activities with credit card issuers, a retail chain store and cinemas during the Review Period.

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

The Group continued to conduct 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 apparel products with business partners under the **FX CREATIONS** brandname

Develop footwear with business partners under the **FX CREATIONS** brandname

Geographical expansion:

Negotiate and sign up new agents in USA

Negotiate and sign up new agents in Europe

Negotiate and sign up new agents in Macau

Negotiate and sign up new agents in Thailand

Negotiate and sign up new agents in the Philippines

Negotiate and sign up new agents in Indonesia

Actual business progress in the Review Period

The Group continued to develop and introduce new series and models for products under its existing brandnames, including **FX CREATIONS**, **USU**, **Annu** and **Astro Boy**, during the Review Period.

The Group continued to develop and introduce new series and models of professional office bags under the **FX CREATIONS** brandname during the Review Period.

The Group is in the process of identifying business partners for the development of apparel products under the **FX CREATIONS** brandname. No suitable business partners have been identified.

The Group is in the process of identifying business partners for the development of footwear under the **FX CREATIONS** brandname. No suitable business partners have been identified.

The Group is in the process of identifying potential agents in the USA. No agreement has been signed during the Review Period.

The Group signed an agency agreement with an agent in the United Kingdom and continued to identify other potential new agents in Europe.

The Group is in the process of identifying potential agents in Macau. No agreement has been signed during the Review Period.

The Group is finalising its agreement with the agent in Thailand.

The Group is in the process of identifying potential agents in the Philippines. No agreement has been signed during the Review Period.

The Group has engaged the Singapore agent to cover the Indonesian market, as such, no agent will be engaged in Indonesia.

**According to the business objectives as stated
in the Prospectus**

Actual business progress in the Review Period

Human resources development:

Expand the marketing and retail sales team

As at 31 March 2005, there are 80 staff in the marketing and retail sales team (2004: 48).

Expand the product development and design team

As at 31 March 2005, there are 6 staff in the product development and design team (2004: 6).

Expand the production and quality control team

As at 31 March 2005, there are 35 staff in the production and quality control team (2004: 41).

Implementation of training programmes to improve the marketing skills of staff

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

To recruit more experienced management staff

The Group continued to look for appropriate experienced management staff to join in the expansion of operations. During the Review Period, there was no change in management team.

USE OF PROCEEDS

The shares of the Company were listed on GEM by way of placing and public offer on 21 May 2002. The net proceeds from such placement and public offer after deduction of the related expenses amounted to approximately HK\$12,800,000 have all been applied as at 31 March 2004.

COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during the year.

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 comprises three independent non-executive directors of the Company, namely Mr. Christopher C. Leu, Miss Kau Man Wai, Leslie and Mr. Guo Jian. The consolidated financial statements of the Group for the year ended 31 March 2005 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.

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.

As at the date of this announcement, the Company's executive directors are Mr. Ng Pak To, Petto and Mr. Ong Chor Wei and the Company's independent non-executive directors are Mr. Christopher C. Leu, Miss Kau Man Wai, Leslie and Mr. Guo Jian.

By Order of the Board
Ng Pak To, Petto
Chairman

Hong Kong, 31 May 2005

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