

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

The Stock Exchange of Hong Kong Limited and the Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document.

If you are in any doubt as to any aspect of the Offer under this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in FX Creations International Holdings Limited, you should at once hand this Composite Document and the accompanying form of acceptance and transfer to the purchaser or the transferee, or to the bank or the licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee. This Composite Document should be read in conjunction with the accompanying form of acceptance and transfer, the provisions of which form part of the terms of the Offer contained herein.



**Flyrich Resources Limited**

*(Incorporated in the British Virgin Islands  
with limited liability)*

**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)*

**(1) Acquisition of Shares in the Company by Flyrich Resources Limited  
(2) Mandatory conditional cash offer**

by



**KINGSTON SECURITIES LIMITED**

on behalf of

**Flyrich Resources Limited**

**for all the issued Shares in FX Creations International Holdings Limited**

**(other than those Shares already owned by**

**Flyrich Resources Limited and Parties acting in concert with it)**

**Joint financial advisers to Flyrich Resources Limited**



**INCUB Corporate Finance Limited**



**KINGSTON CORPORATE FINANCE LIMITED**

**Independent financial adviser to the Independent Board Committee of  
FX Creations International Holdings Limited**



**博大資本國際有限公司**

**Partners Capital International Limited**

A letter from the Independent Board Committee to the Independent Shareholders is set out on page 22 of this Composite Document.

A letter from Partners Capital containing their advice to the Independent Board Committee is set out on pages 23 to 41 of this Composite Document.

The procedures for acceptance and settlement of the Offer are set out on pages 42 to 47 in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptance of the Offer should be received by Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on 19 April 2006, or such later time and/or date as Flyrich may announce in accordance with the Takeovers Code.

*This Composite Document will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page and on the website of the Company at [www.fxcreations.com](http://www.fxcreations.com) for at least 7 days from the date of its posting.*

## CHARACTERISTICS OF GEM

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 or 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 trading on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities trading 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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## EXPECTED TIMETABLE

2006

Opening date of the Offer .....	Wednesday, 29 March
Latest time and date for acceptance of the Offer ( <i>Note 1</i> ) .....	4:00 p.m. on Wednesday, 19 April
Posting of announcement on the GEM website as to whether the Offer has been revised, has expired, or has become or been declared unconditional .....	7:00 p.m. on Wednesday, 19 April
Closing date of the Offer ( <i>Note 2</i> ) .....	Wednesday, 19 April
Latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances received on or before 4:00 p.m. on 19 April 2006, if the Offer has been declared unconditional on 19 April 2006 ( <i>Note 3</i> ) .....	Friday, 28 April
Latest time and date for acceptance of the Offer if the Offer has been declared unconditional on 19 April 2006 .....	4:00 p.m. on Wednesday, 3 May
Final closing date of the Offer if the Offer has been declared unconditional on 19 April 2006 .....	Wednesday, 3 May
Latest date by which the Offer can be declared unconditional ( <i>Note 4</i> ) .....	Friday, 26 May

### Notes:

1. The Offer will be subject to Flyrich having received acceptances in respect of the Shares, which together with the Shares already held by Flyrich and Parties acting in concert with it before or during the Offer, will result in Flyrich and Parties acting in concert with it holding more than 50% of the voting rights of the Company. Unless the Offer has previously become or been declared unconditional or revised, the latest time for acceptance of the Offer is 4:00 p.m. on Wednesday, 19 April 2006. Pursuant to the Takeovers Code, where the Offer is declared unconditional, it will remain open for acceptance for not less than 14 days thereafter. Flyrich will make an announcement as and when the Offer becomes unconditional.
2. Flyrich will issue an announcement to be posted on the GEM website by 7:00 p.m. on Wednesday, 19 April 2006, being the closing date of the Offer, as to whether the Offer has been revised, has expired, or has become or been declared unconditional as to acceptances. Pursuant to the Takeovers Code, where the Offer is revised it will remain open for acceptance for a period of not less than 14 days from the posting of the revised Composite Document.
3. Subject to the Offer becoming unconditional, the amounts due to each of the Shareholders who accepts the Offer should be paid by Flyrich to such Shareholder as soon as possible but in any event within 10 days of the later of the date on which the Offer becomes, or is declared, unconditional and the date of receipt of the duly completed acceptance in accordance with the Takeovers Code.

## EXPECTED TIMETABLE

4. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the date on which this Composite Document has been posted. Accordingly, unless the Offer has previously become or been declared unconditional as to acceptances, the Offer shall not be kept open after Friday, 26 May 2006.

**All time references contained in this Composite Document refer to Hong Kong time.**

## DEFINITIONS

*In this composite document, the following expressions have the following meanings unless the context indicates otherwise:*

“Announcement”	the announcement dated 8 March 2006 jointly made by the Company and Flyrich containing, amongst other things, details of the Offer.
“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Cashtram”	Cashtram Associates Limited, a company incorporated in the British Virgin Islands with limited liability and is 40%, 30%, 20% and 10% beneficially owned by Mr. Ng, Mr. Ho Kai Chung, David, Madam Ho Pui Lai and Mr. Tan Yu, Wally respectively
“Company”	FX Creations International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“Composite Document”	this document jointly issued by and on behalf of Flyrich and the Company to all Shareholders in accordance with the Takeovers Code containing, among other things, terms and conditions of the Offer, the Form(s) of Acceptance, the advice of Partners Capital to the Independent Board Committee and Independent Shareholders in respect of the Offer and the advice of the Independent Board Committee to the Independent Shareholders in relation to the Offer
“connected person”	has the meaning ascribed to it in the GEM Listing Rules
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates
“Flyrich” or “Offeror”	Flyrich Resources Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Wong

## DEFINITIONS

“Forge Smart”	Forge Smart Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Ng
“Form(s) of Acceptance”	the accompanying form(s) of acceptance and transfer in respect of the Offer
“FXHI”	FX Creations (Holding) Inc., a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Wong Wai Shan
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“INCU”	INCU Corporate Finance Limited, a licensed corporation permitted to carry on business in type 6 (advising on corporate finance) regulated activity under the SFO
“Independent Board Committee”	a committee of the Board comprising the three independent non-executive Directors constituted to advise the Independent Shareholders in connection with the Offer
“Independent Shareholders”	shareholders other than Flyrich and Parties acting in concert with it as defined in the Takeovers Code
“Kingston Corporate Finance”	Kingston Corporate Finance Limited, a licensed corporation permitted to carry on business in type 6 (advising on corporate finance) regulated activity under the SFO
“Kingston Securities”	Kingston Securities Limited, a licensed corporation permitted to carry on business in type 1 (dealing in securities) regulated activity under the SFO

## DEFINITIONS

“Last Trading Day”	the trading day immediately prior to the suspension of trading in the Shares on 8 March 2006
“Latest Practicable Date”	24 March 2006, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information for inclusion in this Composite Document
“Mr. Wong”	Mr. Wong Wing Cheung, Peter, the beneficial owner and the sole director of Flyrich
“Mr. Ng”	Mr. Ng Pak To, Petto, the executive Director and the chairman of the Company
“Mr. Ong”	Mr. Ong Chor Wei, the executive Director
“Offer”	the mandatory conditional cash offer to be made by Kingston Securities, on behalf of Flyrich, to acquire all the issued Shares (other than those Shares already owned by Flyrich and Parties acting in concert with it)
“Offer Share(s)”	issued Share(s) other than those already owned by Flyrich and Parties acting in concert with it
“Partners Capital”	Partners Capital International Limited, a licensed corporation permitted to carry on business in types 1 and 6 (dealing in securities and advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee in respect of the Offer
“Party(ies) acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“PRC”	The People’s Republic of China
“Registrar”	Tengis Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong being the Company’s Hong Kong branch share registrar



## DEFINITIONS

“Sale and Purchase Agreement”	the agreement dated 8 March 2006 entered into between, among others, Wise New and Flyrich in relation to the purchase of 204,000,000 Shares, representing approximately 44.30% of the entire issued share capital of the Company, from Wise New by Flyrich for a total consideration of HK\$6,120,000
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Share Purchase”	the purchase of 204,000,000 Shares from Wise New by Flyrich in accordance with the terms and conditions of the Sale and Purchase Agreement
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Warrantors”	Mr. Ng and Mr. Ong
“Wise New”	Wise New Management Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially owned as to 45% by Cashtram, as to 30% by FXHI and as to 25% by Forge Smart
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“%”	per cent.

## LETTER FROM THE BOARD



### **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)**

*Executive Directors:*

Mr. Ng Pak To, Petto (*Chairman*)

Mr. Ong Chor Wei

Mr. Chan Francis Ping Kuen

Mr. Chan Man Yin

*Independent Non-executive Directors:*

Mr. Lee Kun Hung

Mr. Wong Hou Yan, Norman

Mr. Cheung Chi Hwa, Justin

*Registered office:*

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681GT

George Town

Grand Cayman

Cayman Islands

British West Indies

*Principal place of*

*business in Hong Kong:*

Workshop A6

12th Floor, Block A

Hong Kong Industrial Centre

489-491 Castle Peak Road

Kowloon, Hong Kong

29 March 2006

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) Acquisition of Shares in the Company by Flyrich Resources Limited**

**(2) Mandatory conditional cash offer**

**by**

**Kingston Securities Limited**

**on behalf of**

**Flyrich Resources Limited**

**for all the issued Shares in FX Creations International Holdings Limited**

**(other than those Shares already owned by**

**Flyrich Resources Limited and Parties acting in concert with it)**

### **INTRODUCTION**

On 8 March 2006, Flyrich and Wise New entered into the Sale and Purchase Agreement pursuant to which Flyrich agreed to purchase and Wise New agreed to sell

\* For identification purpose only

## LETTER FROM THE BOARD

204,000,000 Shares, representing approximately 44.30% of the entire issued share capital of the Company at the Latest Practicable Date, from Wise New for a total consideration of HK\$6,120,000 (equivalent to HK\$0.03 per Share). The Sale and Purchase Agreement was completed on 8 March 2006.

Immediately before the signing of the Sale and Purchase Agreement, Flyrich and Parties acting in concert with it did not have any shareholding interests in the Company. As a result of the Share Purchase, Flyrich is required to make a mandatory conditional cash offer for all the issued Shares (other than those Shares already owned by Flyrich and Parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code.

The Offer is conditional upon Flyrich having received acceptances of the Offer which, together with the Shares already owned by Flyrich and Parties acting in concert with it before or during the offer period, will result in Flyrich and Parties acting in concert with it holding more than 50% of the voting rights of the Company.

Flyrich does not intend to extend the period of the Offer if the above acceptance condition is not fulfilled by the first closing date of the Offer which is expected to be 19 April 2006.

An Independent Board Committee has been established to consider the terms of the Offer taking into account the advice from the independent financial adviser, and to advise the Independent Shareholders in respect of the Offer. The Board has appointed Partners Capital as the independent financial adviser to advise the Independent Board Committee on the fairness and reasonableness of the terms of the Offer and to advise the Independent Shareholders in respect of the Offer. The appointment of Partners Capital has been approved by the Independent Board Committee.

In addition to setting out the letter from Kingston Securities contained herein, the purpose of this Composite Document is also to provide, among other things, details of the Offer and attaching hereto the Form of Acceptance, the recommendation of the Independent Board Committee and a letter of advice from Partners Capital containing its advice to the Independent Board Committee in respect of the Offer.

### THE SALE AND PURCHASE AGREEMENT

Date:	8 March 2006
Vendor:	Wise New
Purchaser:	Flyrich
Warrantors:	Mr. Ng and Mr. Ong

## LETTER FROM THE BOARD

Number of Shares: 204,000,000 Shares which were acquired by Flyrich free from all claims, charges, liens, encumbrances, equities and third party rights and together with all rights attaching thereto on or after the date of the Sale and Purchase Agreement

Consideration and completion: HK\$6,120,000 being HK\$0.03 for each Share, which was negotiated and determined on arm's length basis between Wise New and Flyrich and was paid in full by cash on the date of Sale and Purchase Agreement on 8 March 2006

The Share Purchase was completed simultaneously upon signing of the Sale and Purchase Agreement.

### MANDATORY CONDITIONAL CASH OFFER

#### Principal terms of the Offer

Kingston Securities will, on behalf of Flyrich, make the Offer in compliance with the Takeovers Code on the following basis:

**for each Offer Share ..... HK\$0.03 in cash**

There were no outstanding warrants, share options or securities convertible or exchangeable into Shares as at the Latest Practicable Date.

The offer price of HK\$0.03 per Share is the same as the price paid by Flyrich to Wise New for each Offeror's Share under the Sale and Purchase Agreement. The Offer Shares to be acquired shall be free from all claims, charges, liens, encumbrances, equities and third party rights and together with all rights attaching thereto, including the rights to receive all dividends and distributions declared, paid or made on or after the date of the Sale and Purchase Agreement.

### INFORMATION ON THE COMPANY

The Company is an investment holding company and its Shares are listed on GEM. The Group is principally engaged in retail sales and wholesale of bags and accessories under its brandname.

Based on the third quarterly report of the Company, the unaudited net loss of the Group for the nine months ended 31 December 2005 was approximately HK\$285,000 and the unaudited consolidated net asset value of the Group as at 30 September 2005 was approximately HK\$11.75 million. The audited consolidated net loss and net profit attributable to Shareholders for the years ended 31 March 2005 and 31 March 2004 were approximately HK\$10.05 million and HK\$0.75 million respectively. As at 31 March 2005, the audited consolidated net asset value of the Group was approximately HK\$11.81 million.

## LETTER FROM THE BOARD

The following table sets out the shareholding structure of the Company immediately before and after the completion of the Share Purchase but before the Offer:

	Immediately		Immediately	
	before completion		after the completion	
	of the Share Purchase		of the Share Purchase	
	<i>No. of</i>	<i>%</i>	<i>No. of</i>	<i>%</i>
	<i>Shares (approx.)</i>		<i>Shares (approx.)</i>	
Flyrich and Parties acting in concert with it ( <i>Note 1</i> )	0	0	204,000,000	44.30
Wise New ( <i>Note 2</i> )	204,000,000	44.30	0	0
Top Accurate Limited ( <i>Note 3</i> )	76,000,000	16.50	76,000,000	16.50
Public	180,504,000	39.20	180,504,000	39.20
	<u>460,504,000</u>	<u>100</u>	<u>460,504,000</u>	<u>100</u>
<b>Total</b>	<b><u>460,504,000</u></b>	<b><u>100</u></b>	<b><u>460,504,000</u></b>	<b><u>100</u></b>

*Notes:*

1. These Shares are beneficially owned by Flyrich, a company wholly owned by Mr. Wong.
2. These Shares were owned by Wise New, a company beneficially owned as to 45% by Cashtram, as to 30% by FXHI and as to 25% by Forge Smart. Mr. Ng, holds 40% and 100% equity interest in Cashtram and Forge Smart respectively. Mr. Ho Kai Chung, David, Madam Ho Pui Lai and Mr. Tan Yu, Wally respectively hold 30%, 20% and 10% equity interest in Cashtram. Mr. Wong Wai Shan holds 100% equity interest in FXHI.

On 20 June 2005, the 204,000,000 Shares held by Wise New were pledged in favour of Corkwood Enterprises Limited, a company incorporated in the British Virgin Islands and wholly and beneficially owned by Mr. Lau Kim Hung, Jack, who accordingly, had a long position in these 204,000,000 Shares under the SFO. The 204,000,000 Shares being pledged have been released upon completion of the Share Purchase.

3. These Shares are owned by Top Accurate Limited, a company wholly and beneficially owned by Mr. Ma She Shing, Albert, who save for being a substantial Shareholder, is a third party independent of the Company and Flyrich and their connected persons as defined in the GEM Listing Rules and not Parties acting in concert with the Company and Flyrich and Parties acting in concert with them as defined in the Takeovers Code.

### PROPOSED CHANGE OF THE COMPOSITION OF THE BOARD

Currently, the Board comprises four executive Directors and three independent non-executive Directors. As at the Latest Practicable Date, the Company's executive Directors are Mr. Ng, Mr. Ong, Mr. Chan Francis Ping Kuen and Mr. Chan Man Yin and the Company's independent non-executive Directors are Mr. Lee Kun Hung, Mr. Wong Hou Yan, Norman and Mr. Cheung Chi Hwa, Justin. It is expected that Mr. Ng and Mr. Ong will resign and such resignation will take effect in full compliance with Rule 7 of the Takeovers Code. In addition, Flyrich intends to nominate Mr. Wong to be an executive Director and compliance officer. The appointment of the aforesaid Director will not take

## LETTER FROM THE BOARD

effect earlier than the date of posting of the composite document to be issued by Flyrich in connection with the Offer in compliance with Rule 26.4 of the Takeovers Code. Further announcement will be made upon the appointment and resignation of the Directors in compliance with the GEM Listing Rules and the Takeovers Code.

Biographical details of Mr. Wong are set out under the section headed “Information on Flyrich” in this Composite Document.

Apart from the above, Mr. Wong is not connected with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company. He does not have any interests in the securities of the Company except for the Shares under the Share Purchase within the meaning of Part XV of the SFO. Mr. Wong did not hold directorship in any other listed public company in the last three years before the appointment.

There is no service contract between Mr. Wong and the Company. Mr. Wong’s appointment is subject to retirement by rotation and re-election in accordance with the articles of association of the Company. Mr. Wong’s remuneration as a Director has not yet been determined and will be considered and determined by the Board with reference to the Company’s remuneration policy and guidelines adopted by the remuneration committee of the Company and the prevailing market rate and further announcement will be made once it is so determined. No public sanctions have been made against Mr. Wong by statutory or regulatory authorities. He has not at any time been adjudged bankrupt or insolvent and he has not at any time been a party to a deed of arrangement or entered into any form of arrangement or composition with his creditors.

There are no unsatisfied judgments or court orders of continuing effect against Mr. Wong. No company has been dissolved or put into liquidation (otherwise than by a members’ voluntary winding up when the company was solvent) or bankruptcy or been the object of an analogous proceeding, or entered into any form of arrangement or composition with creditors, or had a receiver, trustee or similar officer appointed over it during the time that Mr. Wong was one of its directors or within 12 months after his ceasing to act as one of its directors.

Mr. Wong has not been convicted of any offence and he has not, at any time, been identified as an insider dealer or found guilty of or been involved in insider dealing pursuant to Parts XIII or XIV of the SFO and neither has any enterprise, company or unincorporated business enterprise with which he was or is connected or any enterprise, company or unincorporated business enterprise for which he acts or has acted as an officer, supervisor or manager has been identified as an insider dealer or been found guilty of or been involved in insider dealing pursuant to Parts XIII or XIV of the SFO at any time during the period when he was connected and/or acted as an officer, supervisor or manager.

Mr. Wong has not been adjudged by a court or arbitral body civilly liable for any fraud, breach of duty or other misconduct by him towards an enterprise, company,

## LETTER FROM THE BOARD

partnership or unincorporated business enterprise or institution in connection with its formation or management or any of its members or partners. No enterprise, company, partnership or unincorporated business or enterprise of which Mr. Wong was or is a partner, director, supervisor or manager has had its business registration or license revoked at any time during the period when he was one of its partners, directors, supervisors or managers. Mr. Wong has not at any time been disqualified from holding or deemed unfit to hold, the position of director, supervisor or manager of an enterprise, a company or an unincorporated business enterprise, or from being involved in the management or conduct of the affairs of any enterprise, company or unincorporated business enterprise. There is no investigation by any judicial, regulatory or governmental authority to which Mr. Wong is subject to.

Mr. Wong has not any time been refused admission to membership of any professional body or been censured or disciplined by any such body to which he belongs or belonged or been disqualified from membership in any such body or has at any time held a practicing certificate or any other form of professional certificate or license subject to special conditions.

Mr. Wong is not now or has at any time been a member or a triad or other illegal society. Mr. Wong is not currently subject to (i) any investigation, hearing or proceeding brought or instituted by any securities regulatory authority, including the Hong Kong Takeovers Panel or any other securities regulatory commission or panel, or (ii) any judicial proceeding in which violation of any securities law, rule or regulation is or was alleged.

Mr. Wong is not a defendant in any current criminal proceeding involving an offence which may be material to an evaluation of his character or integrity to be a director or supervisor of the issuer. Finally, there is no other matter that needs to be brought to the attention to the shareholders of the Company in respect of Mr. Wong's appointment.

### INFORMATION ON FLYRICH

Flyrich is an investment holding company incorporated in the British Virgin Islands with limited liability on 11 January 2005 and is wholly owned by Mr. Wong Wing Cheung, Peter, being the sole director of Flyrich. Immediately before entering into the Sale and Purchase Agreement, Flyrich and Mr. Wong were third parties independent of the Company and its connected persons. Other than the entering into the Sale and Purchase Agreement, Flyrich has not conducted any business since its incorporation.

Mr. Wong, aged 57, 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 PRC 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.

## LETTER FROM THE BOARD

### INTENTION OF FLYRICH REGARDING THE GROUP

It is the intention of Flyrich that the existing principal activities of the Group will remain unchanged immediately after the close of the Offer. Flyrich has no intention to dispose of or re-deploy the assets of the Group other than in the ordinary course of business and to inject its assets into the Group. Following completion of the Share Purchase and following the close of the Offer, Flyrich intends to conduct a review of the Group's financial position and operations with a view to broadening and expanding the scope of business of the Group and will formulate a long-term strategy and plans for the Group. Although there is no concrete plan to alter the existing principal activities of the Group at the Latest Practicable Date, 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 by the Offeror.

In addition, with his extensive experience in managing leather goods business, the Group believes that Mr. Wong will have sufficient experience in managing the Group's business. Save as disclosed under the section headed "Proposed Change of the Composition of the Board", it is the intention of Flyrich that there will be no material change in the existing management and employees of the Group following the close of the Offer to ensure a smooth transition.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

Flyrich intends that the Company will remain listed on GEM after the close of the Offer. The sole director of Flyrich and the new director to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

**The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:**

- a false market exists or may exist in the trading in the Shares; or
- there are insufficient Shares in public hands to maintain an orderly market,

**it will consider exercising its discretion to suspend trading in the Shares.**

**The Stock Exchange has also stated that, if the Company remains a listed company, any further injection of assets into or disposal of assets of the Company will be subject to the provisions of the GEM Listing Rules. Pursuant to the GEM Listing Rules, the Stock Exchange has the discretion to require the Company to issue a circular to its Shareholders where any acquisition or disposal by the Company is proposed, irrespective of the size of such acquisition or disposal and in particular when such proposed transactions represent a departure from the principal activities of the Company. The**



## LETTER FROM THE BOARD

Stock Exchange also has the power pursuant to the GEM Listing Rules to aggregate a series of acquisition or disposal and any such acquisition or disposal may, in any event result in the Company being treated as if it were a new applicant for listing and subject to the requirements for new applicants as set out in the GEM Listing Rules.

### RECOMMENDATIONS

Your attention is drawn to the respective letters from the Independent Board Committee and Partners Capital set out on page 22 and pages 23 to 41 of this Composite Document containing their respective recommendations and advice in respect of the Offer.

### ADDITIONAL INFORMATION

Your attention is also drawn to the letters from Kingston Securities, the Independent Board Committee and Partners Capital as well as the additional information contained in Appendices I to III to this Composite Document and the accompanying Form of Acceptance.

Yours faithfully,  
For and on behalf of the Board  
**FX Creations International Holdings Limited**  
**Ng Pak To, Petto**  
*Chairman*

# LETTER FROM KINGSTON SECURITIES



## KINGSTON SECURITIES LIMITED

Suite 2801, 28th Floor  
One International Finance Centre  
1 Harbour View Street, Central, Hong Kong

29 March 2006

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) Acquisition of Shares in the Company by Flyrich Resources Limited  
(2) Mandatory conditional cash offer  
by  
KINGSTON SECURITIES LIMITED  
on behalf of  
Flyrich Resources Limited  
for all the issued Shares in FX Creations International Holdings Limited  
(other than those Shares already owned by  
Flyrich Resources Limited and Parties acting in concert with it)**

### INTRODUCTION

On 8 March 2006, Flyrich and Wise New entered into the Sale and Purchase Agreement pursuant to which Flyrich agreed to purchase and Wise New agreed to sell 204,000,000 Shares, representing approximately 44.30% of the entire issued share capital of the Company at the Latest Practicable Date, from Wise New for a total consideration of HK\$6,120,000 (equivalent to HK\$0.03 per Share). The Sale and Purchase Agreement was completed on 8 March 2006.

Immediately before the signing of the Sale and Purchase Agreement, Flyrich and Parties acting in concert with it did not have any shareholding interests in the Company. As a result of the Share Purchase, Flyrich is required to make a mandatory conditional cash offer for all the issued Shares (other than those Shares already owned by Flyrich and Parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code.

The Offer is conditional upon Flyrich having received acceptances of the Offer which, together with the Shares already owned by Flyrich and Parties acting in concert with it before or during the offer period, will result in Flyrich and Parties acting in concert with it holding more than 50% of the voting rights of the Company.

# LETTER FROM KINGSTON SECURITIES

## MANDATORY CONDITIONAL CASH OFFER

### Principal terms of the Offer

Kingston Securities will, on behalf of Flyrich, make the Offer in compliance with the Takeovers Code on the following basis:

**for each Offer Share ..... HK\$0.03 in cash**

There were no outstanding warrants, share options or securities convertible or exchangeable into Shares as at the Latest Practicable Date.

The offer price of HK\$0.03 per Share is the same as the price paid by Flyrich to Wise New for each Offeror's Share under the Sale and Purchase Agreement.

### Condition of the Offer

**The Offer is conditional upon Flyrich having received acceptances of the Offer which, together with the Shares already owned by Flyrich and Parties acting in concert with it before or during the offer period, will result in Flyrich and Parties acting in concert with it holding more than 50% voting rights of the Company.**

Flyrich does not intend to extend the period of the Offer if the above acceptance condition is not fulfilled by the first closing date of the Offer which is expected to be 19 April 2006.

### Comparison of value

The price of HK\$0.03 for each Offer Share is the same as the consideration for each Share acquired under the Sale and Purchase Agreement and such price represents:

- (a) a discount of 82.4% to the closing price of HK\$0.17 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 82.1% to the average closing price of approximately HK\$0.168 per Share for the 5 trading days up to and including the Last Trading Day;
- (c) a discount of approximately 81.7% to the average closing price of approximately HK\$0.164 per Share for the 10 trading days up to and including the Last Trading Day; and

## LETTER FROM KINGSTON SECURITIES

- (d) a premium of approximately 3.45% over the unaudited consolidated net asset value per Share of approximately HK\$0.029 as at 30 September 2005 based on the interim report 2005/06; and
- (e) a discount of approximately 72.73% to the closing price of HK\$0.11 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

### **Financial resources**

As at the Latest Practicable Date, there are 460,504,000 Shares in issue. Based on the offer price of HK\$0.03 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$13.82 million and all the 256,504,000 Offer Shares under the Offer are valued at approximately HK\$7.695 million. The consideration will be financed by a loan facility of HK\$7,700,000 provided by Kingston Securities which is considered, for the purposes of the Takeovers Code, a Party acting in concert with Flyrich as a result of such loan facility. Flyrich and its ultimate beneficial owner, Mr. Wong, will bear the repayment of the financing and the accrued interest thereon or securities for any liability (contingent or otherwise) themselves and will not depend to any significant extent on the Company's business. Both INCU and Kingston Corporate Finance are satisfied that there are sufficient financial resources available to Flyrich to meet the full acceptance of the Offer.

### **Effect of accepting the Offer**

By accepting the Offer, the accepting Shareholders will sell their Shares and all rights attached to them. The Offer Shares to be acquired should be free from all claims, charges, liens, encumbrances, equities and third party rights and together with all rights attaching thereto, including the rights to receive all dividends and distributions declared, paid or made on or after the date of the Sale and Purchase Agreement.

### **Stamp duty**

Stamp duty at a rate of HK\$1 for every HK\$1,000 (or part thereof) of the amount payable in respect of relevant acceptances will be deducted from the amount payable to the Shareholders who accept the Offer. Flyrich will then pay such stamp duty deducted to the stamp office of the Inland Revenue Department of Hong Kong on behalf of such Shareholders who accept the Offer.

### **Dealings in Shares**

Flyrich confirms that during the six months prior to the date of the Sale and Purchase Agreement, (i) Flyrich and Parties acting in concert with it did not have any shareholding interest in the Company and (ii) save for the Share Purchase, none of Flyrich and Parties acting in concert with it had dealt in any Shares or other securities of the Company.

### **Compulsory acquisition**

Flyrich and Parties acting in concert with it do not intend to exercise any right which may be available to it to acquire compulsorily any outstanding issued Shares not acquired under the Offer after it is closed.

# LETTER FROM KINGSTON SECURITIES

## HIGHEST AND LOWEST CLOSING PRICES OF THE SHARES

The highest and lowest closing prices of the Shares as quoted by the Stock Exchange during the six-month period preceding the date of the Announcement and ending on the Latest Practicable Date were HK\$0.188 per Share on 7 December 2005 and HK\$0.020 per Share on 4 October 2005, 5 October 2005, 10 October 2005 and 27 October 2005 respectively.

## INFORMATION ON THE COMPANY

The Company is an investment holding company and its Shares are listed on GEM. The Group is principally engaged in retail sales and wholesale of bags and accessories under its brandname.

Based on the third quarterly report of the Company, the unaudited net loss of the Group for the nine months ended 31 December 2005 was approximately HK\$285,000 and the unaudited consolidated net asset value of the Group as at 30 September 2005 was approximately HK\$11.75 million. The audited consolidated net loss and net profit attributable to Shareholders for the years ended 31 March 2005 and 31 March 2004 were approximately HK\$10.05 million and HK\$0.75 million respectively. As at 31 March 2005, the audited consolidated net asset value of the Group was approximately HK\$11.81 million.

The following table sets out the shareholding structure of the Company immediately before and after the completion of the Share Purchase but before the Offer:

	Immediately		Immediately	
	before completion		after the completion	
	of the Share Purchase		of the Share Purchase	
	<i>No. of</i>	<i>%</i>	<i>No. of</i>	<i>%</i>
	<i>Shares (approx.)</i>		<i>Shares (approx.)</i>	
Flyrich and Parties acting in concert with it ( <i>Note 1</i> )	0	0	204,000,000	44.30
Wise New ( <i>Note 2</i> )	204,000,000	44.30	0	0
Top Accurate Limited ( <i>Note 3</i> )	76,000,000	16.50	76,000,000	16.50
Public	180,504,000	39.20	180,504,000	39.20
<b>Total</b>	<b><u>460,504,000</u></b>	<b><u>100</u></b>	<b><u>460,504,000</u></b>	<b><u>100</u></b>

*Notes:*

- These Shares are beneficially owned by Flyrich, a company wholly owned by Mr. Wong.
- These Shares were owned by Wise New, a company beneficially owned as to 45% by Cashtram, as to 30% by FXHI and as to 25% by Forge Smart. Mr. Ng, holds 40% and 100% equity interest in Cashtram and Forge Smart respectively. Mr. Ho Kai Chung, David, Madam Ho Pui Lai and Mr. Tan Yu, Wally respectively hold 30%, 20% and 10% equity interest in Cashtram. Mr. Wong Wai Shan holds 100% equity interest in FXHI.

## LETTER FROM KINGSTON SECURITIES

On 20 June 2005, the 204,000,000 Shares held by Wise New were pledged in favour of Corkwood Enterprises Limited, a company incorporated in the British Virgin Islands and wholly and beneficially owned by Mr. Lau Kim Hung, Jack, who accordingly, had a long position in these 204,000,000 Shares under the SFO. The 204,000,000 Shares being pledged have been released upon completion of the Share Purchase.

3. These Shares are owned by Top Accurate Limited, a company wholly and beneficially owned by Mr. Ma She Shing, Albert, who save for being a substantial Shareholder, is a third party independent of the Company and Flyrich and their connected persons as defined in the GEM Listing Rules and not Parties acting in concert with the Company and Flyrich and Parties acting in concert with them as defined in the Takeovers Code.

### PROPOSED CHANGE OF THE COMPOSITION OF THE BOARD

Currently, the Board comprises four executive Directors and three independent non-executive Directors. As at the Latest Practicable Date, the Company's executive Directors are Mr. Ng, Mr. Ong, Mr. Chan Francis Ping Kuen and Mr. Chan Man Yin and the Company's independent non-executive Directors are Mr. Lee Kun Hung, Mr. Wong Hou Yan, Norman and Mr. Cheung Chi Hwa, Justin. It is expected that Mr. Ng and Mr. Ong will resign and such resignation will take effect in full compliance with Rule 7 of the Takeovers Code. In addition, Flyrich intends to nominate Mr. Wong to be an executive Director and compliance officer. The appointment of the aforesaid Director will not take effect earlier than the date of posting of the composite document to be issued by Flyrich in connection with the Offer in compliance with Rule 26.4 of the Takeovers Code. Further announcement will be made upon the appointment and resignation of the Directors in compliance with the GEM Listing Rules and the Takeovers Code.

Biographical details of Mr. Wong are set out under the section headed "Information on Flyrich" in this Composite Document.

Apart from the above, Mr. Wong is not connected with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company. He does not have any interests in the securities of the Company except for the Shares under the Share Purchase within the meaning of Part XV of the SFO. Mr. Wong did not hold directorship in any other listed public company in the last three years before the appointment.

There is no service contract between Mr. Wong and the Company. Mr. Wong's appointment is subject to retirement by rotation and re-election in accordance with the articles of association of the Company. Mr. Wong's remuneration as a Director has not yet been determined and will be considered and determined by the Board with reference to the Company's remuneration policy and guidelines adopted by the remuneration committee of the Company and the prevailing market rate and further announcement will be made once it is so determined. No public sanctions have been made against Mr. Wong by statutory or regulatory authorities. He has not at any time been adjudged bankrupt or insolvent and he has not at any time been a party to a deed of arrangement or entered into any form of arrangement or composition with his creditors.

## LETTER FROM KINGSTON SECURITIES

There are no unsatisfied judgments or court orders of continuing effect against Mr. Wong. No company has been dissolved or put into liquidation (otherwise than by a members' voluntary winding up when the company was solvent) or bankruptcy or been the object of an analogous proceeding, or entered into any form of arrangement or composition with creditors, or had a receiver, trustee or similar officer appointed over it during the time that Mr. Wong was one of its directors or within 12 months after his ceasing to act as one of its directors.

Mr. Wong has not been convicted of any offence and he has not, at any time, been identified as an insider dealer or found guilty of or been involved in insider dealing pursuant to Parts XIII or XIV of the SFO and neither has any enterprise, company or unincorporated business enterprise with which he was or is connected or any enterprise, company or unincorporated business enterprise for which he acts or has acted as an officer, supervisor or manager has been identified as an insider dealer or been found guilty of or been involved in insider dealing pursuant to Parts XIII or XIV of the SFO at any time during the period when he was connected and/or acted as an officer, supervisor or manager.

Mr. Wong has not been adjudged by a court or arbitral body civilly liable for any fraud, breach of duty or other misconduct by him towards an enterprise, company, partnership or unincorporated business enterprise or institution in connection with its formation or management or any of its members or partners. No enterprise, company, partnership or unincorporated business or enterprise of which Mr. Wong was or is a partner, director, supervisor or manager has had its business registration or license revoked at any time during the period when he was one of its partners, directors, supervisors or managers. Mr. Wong has not at any time been disqualified from holding or deemed unfit to hold, the position of director, supervisor or manager of an enterprise, a company or an unincorporated business enterprise, or from being involved in the management or conduct of the affairs of any enterprise, company or unincorporated business enterprise. There is no investigation by any judicial, regulatory or governmental authority to which Mr. Wong is subject to.

Mr. Wong has not any time been refused admission to membership of any professional body or been censured or disciplined by any such body to which he belongs or belonged or been disqualified from membership in any such body or has at any time held a practicing certificate or any other form of professional certificate or license subject to special conditions.

Mr. Wong is not now or has at any time been a member or a triad or other illegal society. Mr. Wong is not currently subject to (i) any investigation, hearing or proceeding brought or instituted by any securities regulatory authority, including the Hong Kong Takeovers Panel or any other securities regulatory commission or panel, or (ii) any judicial proceeding in which violation of any securities law, rule or regulation is or was alleged.

Mr. Wong is not a defendant in any current criminal proceeding involving an offence which may be material to an evaluation of his character or integrity to be a director or supervisor of the issuer. Finally, there is no other matter that needs to be brought to the attention to the shareholders of the Company in respect of Mr. Wong's appointment.

## LETTER FROM KINGSTON SECURITIES

### INFORMATION ON FLYRICH

Flyrich is an investment holding company incorporated in the British Virgin Islands with limited liability on 11 January 2005 and is wholly owned by Mr. Wong Wing Cheung, Peter, being the sole director of Flyrich. Immediately before entering into the Sale and Purchase Agreement, Flyrich and Mr. Wong were third parties independent of the Company and its connected persons. Other than the entering into the Sale and Purchase Agreement, Flyrich has not conducted any business since its incorporation.

Mr. Wong, aged 57, 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 PRC 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.

### INTENTION OF FLYRICH REGARDING THE GROUP

It is the intention of Flyrich that the existing principal activities of the Group will remain unchanged immediately after the close of the Offer. Flyrich has no intention to dispose of or re-deploy the assets of the Group other than in the ordinary course of business and to inject its assets into the Group. Following completion of the Share Purchase and following the close of the Offer, Flyrich intends to conduct a review of the Group's financial position and operations with a view to broadening and expanding the scope of business of the Group and will formulate a long-term strategy and plans for the Group. Although there is no concrete plan to alter the existing principal activities of the Group at the Latest Practicable Date, 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 by the Offeror.

In addition, with his extensive experience in managing leather goods business, the Group believes that Mr. Wong will have sufficient experience in managing the Group's business. Save as disclosed under the section headed "Proposed Change of the Composition of the Board", it is the intention of Flyrich that there will be no material change in the existing management and employees of the Group following the close of the Offer to ensure a smooth transition.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

Flyrich intends that the Company will remain listed on GEM after the close of the Offer. The sole director of Flyrich and the new director to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.



## LETTER FROM KINGSTON SECURITIES

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading in the Shares; or
- there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend trading in the Shares.

The Stock Exchange has also stated that, if the Company remains a listed company, any further injection of assets into or disposal of assets of the Company will be subject to the provisions of the GEM Listing Rules. Pursuant to the GEM Listing Rules, the Stock Exchange has the discretion to require the Company to issue a circular to its Shareholders where any acquisition or disposal by the Company is proposed, irrespective of the size of such acquisition or disposal and in particular when such proposed transactions represent a departure from the principal activities of the Company. The Stock Exchange also has the power pursuant to the GEM Listing Rules to aggregate a series of acquisition or disposal and any such acquisition or disposal may, in any event result in the Company being treated as if it were a new applicant for listing and subject to the requirements for new applicants as set out in the GEM Listing Rules.

### WARNING

The Offer will be subject to Flyrich receiving acceptances in respect of Shares, which together with Shares already held by it and parties acting in concert with it before or during the Offer, will result in Flyrich and parties acting in concert with it holding more than 50% of the voting rights of the Company. As the Offer may or may not proceed, Shareholders and investors are advised to exercise extreme caution in dealings in the Shares.

### FURTHER TERMS OF THE OFFER

Further terms and conditions of the Offer, including, among other things, procedures for acceptance and settlement, the acceptance period and taxation matters are set out in Appendix I to this Composite Document and in the Form of Acceptance.

### GENERAL

To ensure equality of treatment of all Shareholders, those registered Shareholders who hold Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares whose investments are registered in nominee names to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

## LETTER FROM KINGSTON SECURITIES

The attention of overseas Shareholders is drawn to the section headed “Overseas Shareholders” in Appendix I to this Composite Document.

Stockbrokers, banks and others who deal in relevant securities of the Company on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules pursuant to the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any seven day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.

Independent Shareholders are strongly advised to consider carefully the information contained in the letter from the Board, the letter from the Independent Board Committee and the letter from Partners Capital set out in this Composite Document

Your attention is drawn to the additional information set out in the Appendices, which form part of this Composite Document.

Yours faithfully,  
For and on behalf of  
**Kingston Securities Limited**  
**Nicholas Chu**  
*Director*

# LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Offer:*



## **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)**

29 March 2006

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) Acquisition of Shares in the Company by Flyrich Resources Limited**

**(2) Mandatory conditional cash offer**

by

**Kingston Securities Limited**

on behalf of

**Flyrich Resources Limited**

**for all the issued Shares in FX Creations International Holdings Limited**

**(other than those Shares already owned by**

**Flyrich Resources Limited and Parties acting in concert with it)**

As the Independent Board Committee, we have been appointed to advise you in connection with the Offer, details of which are set out in the "Letter from the Board" in the Composite Document dated 29 March 2006 (the "Document"), of which this letter forms part. Terms used in this letter have the same meanings as given to them in the Document unless the context otherwise requires.

Your attention is drawn to the "Letter from the Board" and the "Letter from Kingston Securities" as set out on pages 5 to 12 and pages 13 to 21 respectively of the Document and the "Letter from Partners Capital" as set out on pages 23 to 41 of the Document containing their advice to the Independent Board Committee regarding the Offer. Having considered the advice given in the letter from Partners Capital that the terms of the Offer are not fair and reasonable so far as the Independent Shareholders are concerned, we concur with the advice from Partners Capital to recommend the Independent Shareholders not to accept the Offer.

Yours faithfully,

Independent Board Committee

**Lee Kun Hung**

*Independent non-executive  
Director*

**Wong Hou Yan, Norman**

*Independent non-executive  
Director*

**Cheung Chi Hwa, Justin**

*Independent non-executive  
Director*

\* For identification purpose only

## LETTER FROM PARTNERS CAPITAL

*The following is the text of the letter of advice from Partners Capital to the Independent Board Committee in relation to the Offer for the purpose of inclusion in this Composite Document.*



博大資本國際有限公司  
Partners Capital International Limited

Room 1305, 13th Floor  
9 Queen's Road Central  
Hong Kong

29 March 2006

*To the Independent Board Committee*

Dear Sirs,

**MANDATORY CONDITIONAL CASH OFFER BY  
KINGSTON SECURITIES LIMITED  
ON BEHALF OF  
FLYRICH RESOURCES LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES IN  
FX CREATIONS INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY  
FLYRICH RESOURCES LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

We refer to our engagement to advise the Independent Board Committee in respect of the terms of the Offer, particulars of which are set out in the Composite Document (the "Document") dated 29 March 2006, in which this letter is reproduced, which has been despatched by the Company to the Independent Shareholders in response to the Offer. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definitions" in the Document.

As set out in the letter from the Board (the "Letter from the Board"), on 8 March 2006, Flyrich and Wise New entered into the Sale and Purchase Agreement pursuant to which Flyrich agreed to purchase and Wise New agreed to sell 204,000,000 Shares, representing approximately 44.30% of the entire issued share capital of the Company as at the date of the Announcement, from Wise New for a total consideration of HK\$6,120,000 (equivalent to HK\$0.03 per Share). The Sale and Purchase Agreement was completed on 8 March 2006. Immediately before the signing of the Sale and Purchase Agreement, Flyrich and Parties acting in concert with it did not have any shareholding interests in the Company. As a result of the Share Purchase, Flyrich is required to make a mandatory conditional cash offer for all the issued Shares (other than those Shares already owned by Flyrich and Parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code.

## LETTER FROM PARTNERS CAPITAL

Kingston Securities, on behalf of Flyrich, is making the Offer on the following basis:

For each Share ..... HK\$0.03 in cash

Further terms and conditions of the Offer, including the procedures for acceptance, are set out in the Document.

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising Mr. Lee Kun Hung, Mr. Wong Hou Yan, Norman, and Mr. Cheung Chi Hwa, Justin, was formed to advise the Independent Shareholders in respect of the Offer.

The appointment of Partners Capital International Limited as the independent financial adviser in respect of the Offer has been approved by the Independent Board Committee. Partners Capital International Limited is not connected with the directors, chief executive and substantial shareholders of the Company and Flyrich or any of its subsidiaries or their respective associates and therefore is considered suitable to give independent advice to the Independent Shareholders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Partners Capital International Limited will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates or Flyrich and Parties acting in concert with it.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Document and have assumed that all information and representations made or referred to in the Document as provided by the Directors and/or Flyrich were true at the time they were made and continue to be true as at the date of the Document. We have also relied on our discussion with the Directors regarding the Group and the Offer, including the information and representations contained in the Document. We have also assumed that all statements of belief, opinion and intention made by the Directors and Flyrich respectively in the Document were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Document and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Document nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and Flyrich. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Flyrich, Wise New, Cashtram, FXHI, Forge Smart and their respective associates nor have we carried out any independent verification of the information supplied.

We have not considered the tax implications on the Independent Shareholders of their acceptances or non-acceptances of the Offer since these are particular to their own individual circumstances. In particular, the Independent Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offer and, if in any doubt, should consult their own professional advisers.

## LETTER FROM PARTNERS CAPITAL

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Offer, we have considered the following principal factors and reasons:

#### (i) Review of financial performance

The Company is an investment holding company and its Shares are listed on GEM. The Group is principally engaged in retail sales and wholesale of bags and accessories under its FX CREATIONS brandname.

A summary of the audited consolidated results of the Group for the three years ended 31 March 2005, the unaudited consolidated results of the Group for the nine months ended 31 December 2005 and the audited consolidated financial statements of the Group for the two years ended 31 March 2005 are set out in the Appendix II to the Document. We analyse the consolidated results of the Group for each of the three years ended 31 March 2005 and for the nine months ended 31 December 2005 as follows:

- *Audited consolidated results for the year ended 31 March 2003*

For the year ended 31 March 2003, the Group recorded a turnover of approximately HK\$59.6 million, representing an increase of approximately 20.2% as compared with that of the preceding financial year. For the same financial year, the Group recorded a net profit attributable to Shareholders of approximately HK\$1.7 million, representing a reduction of approximately 10.5% as compared to that of the preceding financial year.

According to the annual report of the Company for the year ended 31 March 2003, the growth in turnover was mainly attributable to the new retail outlets in Taiwan set up by the Group and increased sales to wholesalers of the Group due to increase in number of distributors. On the other hand, the decrease in net profit attributable to Shareholders 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.

- *Audited consolidated results for the year ended 31 March 2004*

For the year ended 31 March 2004, the Group recorded a turnover of approximately HK\$65.8 million, representing an increase of approximately 10.4% as compared with that of the preceding financial year. For the same financial year, the Group recorded a net profit attributable to Shareholders of HK\$0.8 million, representing a significant reduction of approximately 52.9% as compared to that of the preceding financial year.

According to the annual report of the Company for the year ended 31 March 2004, the increase in turnover was attributable to the increase in various promotion activities undertaken with the Company's customers in Hong Kong and the increase

## LETTER FROM PARTNERS CAPITAL

in sales to wholesalers due to the increase in the number of distributors, and sales to existing and new distributors. On the other hand, the significant decrease in net profit attributable to Shareholders was mainly attributable to the decrease in gross profit margin as a result of higher portion of sales to wholesalers which had lower gross profit margins as compared to the sales to retailers.

- *Audited consolidated results for the year ended 31 March 2005*

For the year ended 31 March 2005, the Group recorded a turnover of approximately HK\$69.9 million, representing an increase of approximately 6.2% as compared with that of the preceding financial year. For the same financial year, the Group recorded a net loss attributable to Shareholders of HK\$10.0 million as compared to the net profit attributable to Shareholders of approximately HK\$0.8 million for the year ended 31 March 2004.

According to the annual report of the Company for the year ended 31 March 2005, the retail environments in Hong Kong enjoyed a robust year for the relevant year due to the influx of visitors from the 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. 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%. On the other hand, the net loss attributable to Shareholders was 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.

- *Unaudited consolidated results for the nine months ended 31 December 2005*

For the nine months ended 31 December 2005, the Group recorded a turnover of approximately HK\$54.2 million, representing an increase of approximately 2.5% as compared with the turnover of HK\$52.9 million for the nine months ended 31 December 2004. For the same period, the Group recorded a net loss attributable to Shareholders of HK\$0.3 million as compared with the net loss attributable to Shareholders of approximately HK\$5.6 million for the nine months ended 31 December 2004.

According to the third quarterly report of the Company for the nine months ended 31 December 2005, the Group recorded a decrease in retail sales by approximately 8.4% for the nine months ended 31 December 2005 but an increase in wholesale sales by approximately 19.5% as compared with that of the corresponding period in previous year. For the three months ended 31 December 2005, the Group also recorded a decrease in retail sales by approximately 34.8% but an increase of wholesale sales by approximately 59.3% as compared with that of the corresponding period in previous year. The decrease in retail sales was mainly due to the Group's appointment of an agent in Taiwan to streamline its operations and resources. As a

## LETTER FROM PARTNERS CAPITAL

result, the Group reduced its retail outlets and retail sales in Taiwan. The increase in wholesale sales was mainly attributable to increased orders from existing customers and the appointment of agent in Taiwan. On the other hand, the improvement in net loss position was mainly attributable to the increase in gross profit and gross profit margin and decrease in the administrative expenses. Moreover, the Group's salaries and related expenses reduced during the current period as compared with those of the corresponding period in previous year due to cost control measures.

- *Further analysis*

The retail market of consumer products in Hong Kong is generally affected by the size of and the purchasing power of its population, the general state of its economy and the number and spending of its visitors. The table below illustrates the population, the GDP, the per capita GDP and the retail sales of Hong Kong during the period from 2000 to 2005 (at constant (2000) market prices):

	2000	2001	2002	2003	2004	2005
Population (million)	6.71	6.76	6.79	6.85	6.92	6.97#
GDP (HK\$ billion) (at constant (2000) market prices)	1,314.8	1,323.2	1,347.5	1,390.6	1,510.2#	1,620.9#
Per capital GDP (HK\$) (at constant (2000) market prices)	197,268	196,756	198,541	204,408	219,420#	233,698#
Retail sales (HK\$ billion)	186.7	184.4	176.9	172.9	191.6	204.6

*Source: Hong Kong Census and Statistics Department website, updated February 2006*

# *subject to revision*



## LETTER FROM PARTNERS CAPITAL

The retail market of consumer products in Taiwan is also generally affected by the size of and the purchasing power of its population, the general state of its economy and the number and spending of its visitors. The table below illustrates the population, the GDP and the per capita GNP of Taiwan during the period from 2000 to 2005:

	2000	2001	2002	2003	2004	2005
Population (million)	22.3	22.4	22.5	22.6	22.7	22.8
GDP (NT\$ billion) (at constant (2001) market prices)	10,081	9,862	10,281	10,634	11,279	11,740
GDP (in equivalent HK\$ billion*) (at constant (2001) market prices)	2,265	2,216	2,310	2,390	2,535	2,638
Per capital GNP (NT\$) (at constant (2001) market prices)	461,940	451,308	469,893	487,426	516,105	530,959
Per capital GNP (in equivalent HK\$*) (at constant (2001) market prices)	103,807	101,418	105,594	109,534	115,979	119,317

*Source: Taiwan Statistics Department website, updated February 2006*

\* *For the purpose of illustration only, amounts in NT\$ has been translated at the rate of HK\$1.00: NT\$4.45.*

## LETTER FROM PARTNERS CAPITAL

For the purpose of analysing the performance of the Group in the past three financial years, we tabulate below the key financial ratios of the Group for the three years ended 31 March 2005:

Year end date	31 March		
	2003	2004	2005
Turnover growth (%)	20.1	10.5	6.1
Net profit growth (%)	(11.7)	(55.7)	N/A
Gross profit margin (%)	51.3	47.9	47.6
Net profit margin (%)	2.8	1.1	N/A
Return on equity (%)	8.0	3.4	N/A
Return on total assets (%)	4.9	2.0	N/A
Current ratio	1.7	1.7	1.2
Quick ratio	1.5	1.5	1.0
Inventory turnover days (number of days)	27	28	30
Debtors' turnover days (number of days)	49	43	34
Creditors' turnover days (number of days)	57	42	34
Gearing ratio (%) ( <i>Note 1</i> )	19.8	25.4	36.7
Debt to equity ratio (%) ( <i>Note 2</i> )	(15.9)	(3.9)	46.3

*Notes:*

1. Gearing ratio = (Total debts)/Total assets x100%
2. Debt to equity = Net debts (all borrowings net of cash and cash equivalents)/(total equity) x100%

According to the annual report of the Company for the year ended 31 March 2005, we note that approximately 74% of the turnover of the Group was generated in Hong Kong whilst approximately 18% of the turnover of the Group was generated in Taiwan. The remainder of the turnover of the Group was generated in the PRC, Singapore and other regions. Notwithstanding that the turnover of the Group has been increasing since the year ended 31 March 2000, we note that the growth in turnover has been slowing down from 28.8% in the year ended 31 March 2002 to 6.1% in the year ended 31 March 2005.

In addition, we note that the gross profit margin has been on a decreasing trend. The gross profit margin of the Group amounted to approximately 62.9% for the year ended 31 March 2002, which however decreased to approximately 51.3%, 47.9% and 47.6% for each of the three years ended 31 March 2005 and further decreased to approximately 46.5% for the nine months ended 31 December 2005. Furthermore, as set out in the third quarterly report of the Company for the nine months ended 31 December 2005, the Group views the prospects of its business as challenging as the Group has been experiencing rental expenses and costs increase

## LETTER FROM PARTNERS CAPITAL

in Hong Kong while turnover has not increased at the same percentage due to a more competitive business environment.

However, as set out in the annual report of the Company for the year ended 31 March 2005, the administrative expenses of the Group were approximately HK\$19.5 million. We note that the Group had charged certain exceptional items such as write-off of bad debts of approximately HK\$2.2 million, provision for impairment loss of other investments of HK\$3.5 million and loss on disposals of fixed assets of approximately HK\$1.0 million to the administrative expenses during the same year. Without taking into account the above exceptional items, the recurring administrative expenses of the Group for the year ended 31 March 2005 would have amounted to approximately HK\$12.8 million, representing approximately 18.3% of the turnover of the Group for the same financial year. We note that the administrative expenses of the Group for the nine months ended 31 December 2005 were approximately HK\$8.7 million, representing approximately 16.1% of the turnover during the same period whereas the administrative expenses of the Group for the year ended 31 March 2004 were approximately HK\$13.1 million, representing approximately 20.0% of the turnover during the same financial year. Accordingly, we note that the administrative expenses have been on a decreasing trend without taking into account the said exceptional items.

Further, we note that selling and distribution costs of the Group, which comprise mainly the retail shop rental expenses and salary and commission to sales staff, were approximately HK\$17.8 million for the nine months ended 31 December 2005 and the aggregate of administration expenses and selling and distribution costs represented approximately 49% of the turnover for the nine months ended 31 December 2005. We understand from the Directors that the Company intends to reduce its selling and distribution costs and the administration expenses, in particular the retail shops rental expenses and the salary expenses of sales staff and administration staff, by cutting back its retail operation gradually and shifting its mode of operation towards wholesale and franchise.

Moreover, we note that the net profit attributable to the Shareholders has been on a decreasing trend during the three years ended 31 March 2004 and the Group recorded a net loss attributable to Shareholders at the level of approximately HK\$10 million for the year ended 31 March 2005. However, as set out in the third quarterly report of the Company for the nine months ended 31 December 2005, the Group managed to narrow its net loss position to a level of HK\$0.3 million during the relevant period. Furthermore, we note that the inventory turnover day of the Group has been relatively stable over the past three years ended 31 March 2005 whereas both the debtors' turnover days and the creditors' turnover days of the Group have been shortening.

On the other hand, based on the strong growth in GDP and retail sales of Hong Kong since 2003 and the strong growth of GDP and per capita GNP of Taiwan, we consider that the economies of Hong Kong and Taiwan have shown signs of improvement and thus, we believe that the retail markets of Hong Kong and Taiwan

## LETTER FROM PARTNERS CAPITAL

would also be improving accordingly. The Directors reckoned that the retail environments in Hong Kong enjoyed a robust year in the year ended 31 March 2005 due to the influx of visitors from the PRC as a result of the new policy on the granting of visas to individuals visiting Hong Kong and the Directors believed the strategy forward for the retail market is to capture the spending from these PRC visitors.

For the purpose of comparison and to the best of our knowledge, we have identified four companies listed on the Main Board of the Stock Exchange which we consider are principally engaged in similar businesses of the Company (the "Comparables"). The Comparables have been selected after taking into consideration, inter alia, their scope of businesses as compared to the Group. We have reviewed and tabulated below the relevant financial ratios of the Comparables based on their respective financial reports:

Year end date	Wealthmark International (Holdings) Limited (Note 1)		Mascotte Holdings Limited (Note 2)		Chanco International Group Limited (Note 3)		Lee & Man Holding Limited (Note 4)	
	31 December		31 March		31 March		31 March	
	2003	2004	2004	2005	2004	2005	2004	2005
Turnover growth (%)	5.4	(26.9)	(14.4)	14.3	0.1	33.5	4.0	(1.4)
Net profit growth (%)	(13.3)	N/A	74.0	(65.3)	(9.7)	27.0	(11.7)	30.8
Gross profit margin (%)	11.8	N/A	31.0	28.5	33.6	33.0	35.4	33.8
Net profit margin (%)	3.5	N/A	11.8	3.6	20.4	19.5	10.7	14.2
Return on equity (%)	12.7	N/A	10.6	3.6	29.9	30.0	27.9	29.2
Return on total assets (%)	5.8	N/A	7.6	2.8	26.4	26.0	19.9	25.4
Current ratio	1.8	0.5	2.3	2.8	8.2	7.1	2.9	5.5
Quick ratio	1.5	0.3	2.2	2.6	6.9	5.6	2.1	4.5
Inventory turnover days (number of days)	36	34	24	23	63	82	63	39
Debtors' turnover days (number of days)	90	33	47	47	45	32	46	36
Creditors' turnover days (number of days)	31	36	30	26	30	31	60	35
Gearing ratio (%) (Note 5)	37.1	80.6	18.5	12.6	0.0	0.0	3.9	0.4
Debt to equity ratio (%) (Note 6)	22.1	N/A	19.0	(2.5)	(63.5)	(67.0)	(23.6)	(43.8)

## LETTER FROM PARTNERS CAPITAL

*Notes:*

1. Wealthmark International (Holdings) Limited is principally engaged in the manufacture and sale of handbag products and related accessories; provision of subcontracting services; and trading of raw materials used in the manufacture of handbags and related products.
2. Mascotte Holdings Limited is principally engaged in the manufacture and sale of bags and pouches for photographic, electrical and multimedia products.
3. Chanco International Group Limited is principally engaged in the design and manufacture of branded men's and ladies' leather accessories, including belts and small leather goods such as wallets, key rings and organizers.
4. Lee & Man Holding Limited is principally engaged in the manufacture and sale of handbags.
5. Gearing ratio = (Total debts)/Total assets x100%
6. Debt to equity = Net debts (all borrowings net of cash and cash equivalents)/(total equity) x100%

From the above table, we note that the turnovers of the Comparables were increasing in general (other than Wealthmark International (Holdings) Limited) according to their annual reports for the two most recent financial years, which were in line with the performance of the Company over the same period. It should be noted that the financial statements of Wealthmark International (Holdings) Limited for the year ended 31 December 2004 were qualified by its auditors and there were significant provisions made to its income statement which may make its financial figures less representative. Nevertheless, the other three Comparables recorded net profits attributable to shareholders during their latest financial year. On the other hand, the gross profit margin of the Comparables had been slightly decreasing according to their annual reports for the two most recent financial years, which were in line with the performance of the Company over the same period. Furthermore, we note that the both the debtors' turnover days and the creditors' turnover days of the Comparables had been shortening in general, which were in line with the performance of the Company over the same period.

In view of the aforesaid, after taking into particular account that the economies and retail markets of Hong Kong and Taiwan have shown signs of improvement since 2003 and the Group managed to narrow its net loss position to a level of around HK\$0.3 million during nine months ended 31 December 2005, we believe that the Group is in a position to benefit from the recovering retail market of Hong Kong as a result of increased influx of visitors from the PRC. Nevertheless, we concur with the Directors' views that the prospects of its business remain challenging as the Group has been experiencing and will continue to experience pressure from strong competition and rental expenses and costs increase in Hong Kong which may adversely affect the financial performance of the Group in future.

## LETTER FROM PARTNERS CAPITAL

### (ii) Share price performance and trading liquidity

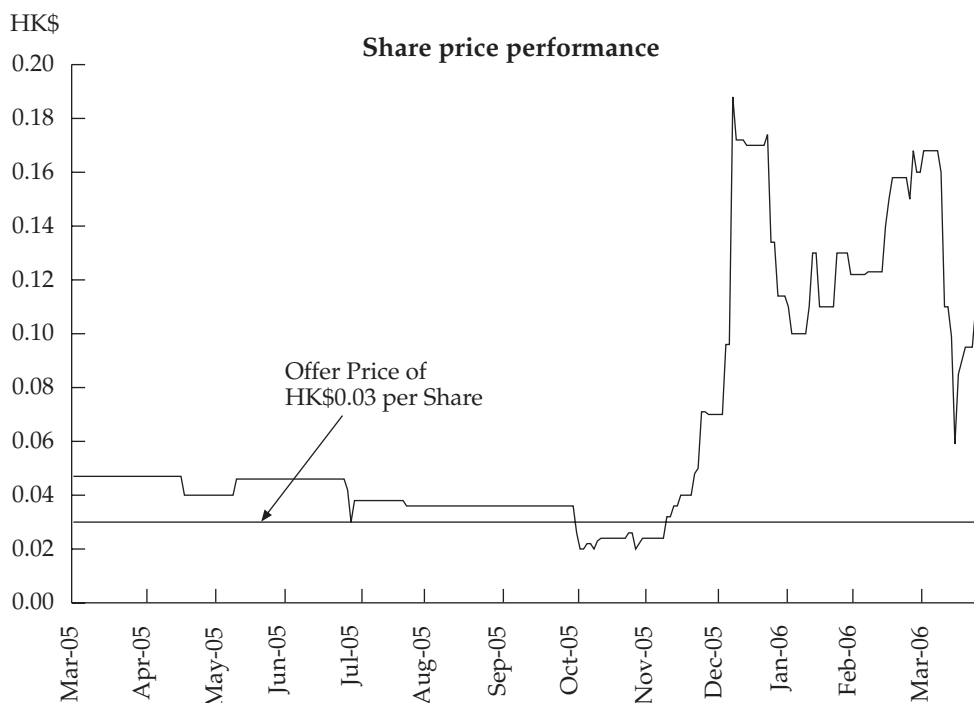
The offer price of HK\$0.03 per Share (the "Offer Price") is the same price as the consideration paid by Flyrich for each Share under the Share Purchase and represents respectively:-

- (i) a discount of approximately 82.1% to the closing price of HK\$0.168 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 81.7% to the average closing price of approximately HK\$0.164 per Share as quoted on the Stock Exchange for the last 10 trading days ended on the Last Trading Day;
- (iii) a discount of approximately 79.0% to the average closing price of approximately HK\$0.143 per Share as quoted on the Stock Exchange for the last 30 trading days ended on the Last Trading Day;
- (iv) a discount of approximately 72.2% to the average closing price of approximately HK\$0.108 per Share as quoted on the Stock Exchange for the last 90 trading days ended on the Last Trading Day;
- (v) a discount of approximately 57.7% to the average closing price of approximately HK\$0.071 per Share as quoted on the Stock Exchange for the last 180 trading days ended on the Last Trading Day;
- (vi) a discount of approximately 53.1% to the average closing price of approximately HK\$0.064 per Share as quoted on the Stock Exchange for the period from 1 March 2005 up to and including the Last Trading Day;
- (vii) a discount of approximately 72.7% to the closing price of HK\$0.110 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (viii) a premium of approximately 3.45% over the unaudited consolidated net asset value as at 30 September 2005 of HK\$0.029 per Share (based on 400,000,000 Shares in issue as at 30 September 2005).

## LETTER FROM PARTNERS CAPITAL

- *Share price performance*

For the purpose of further comparing the Offer Price with the market price of the Shares, we plot the closing price level of the Shares traded on the Stock Exchange from 1 March 2005 to 7 March 2006 (being the Last Trading Day) and further up to the Latest Practicable Date (the “Review Period”) as follows:



Source: Infocast

During the period from 1 March 2005 to early October 2005, the Shares have been trading at a price level slightly higher than the Offer Price. However, during the period from early October to mid November 2005, the price per Share dropped below the Offer Price with a floor at HK\$0.02. After mid October 2005, the price per Share rocketed from HK\$0.024 on 13 October 2005 to the highest of HK\$0.188 on 7 December 2005. We note that the Company has published an announcement in relation to a placement of 60,504,000 new Shares on 21 November 2005 and such placement was completed on 9 December 2005. We further note that the Company published an announcement on 26 January 2006 (the “High Concentration Announcement”) in relation to high concentration of shareholdings by a few shareholders as at 15 December 2005. In the High Concentration Announcement, it was stated that the Board was informed by the Stock Exchange that on the basis of the information provided by the SFC, as at the close of business on 15 December 2005, 14 Shareholders held an aggregate of 234,768,000 Shares, representing approximately 50.98% of the then issued share capital of the Company. In addition, the Board also noted that the Company’s share price has risen from HK\$0.024 on 8 November 2005 to HK\$0.188 on 7 December 2005, representing an increase of about 683% in a month and the High Concentration Announcement also contained a caution

## LETTER FROM PARTNERS CAPITAL

statement which is reproduced as follows: "In view of the high concentration of shareholdings of the Company in the hands of a small number of Shareholders, the price of the Shares could be easily pushed up or down substantially even with a small number of Shares traded." Indeed, the closing price of the Shares plunged from HK\$0.168 on 1 March 2006 to HK\$0.059 on 15 March 2006 and stayed at around HK\$0.110 on the Latest Practicable Date.

In view of the aforesaid, we consider that the recent level of price of the Shares may not be totally indicative of the business fundamentals of the Group. It is also relevant to further assess the performance of the Shares during the period before the drastic increment. The Offer Price represents:

- (i) a premium of approximately 25.0% over the closing price of HK\$0.024 per Share as quoted on the Stock Exchange on 8 November 2005 (being the reference date (the "Reference Date") as set out the High Concentration Announcement);
- (ii) a premium of approximately 27.1% over the average closing price of approximately HK\$0.0236 per Share as quoted on the Stock Exchange for the last 10 trading days ended on the Reference Date;
- (iii) a premium of approximately 20.0% over the average closing price of approximately HK\$0.025 per Share as quoted on the Stock Exchange for the last 30 trading days ended on the Reference Date;
- (iv) a discount of approximately 8.3% to the average closing price of approximately HK\$0.0327 per Share as quoted on the Stock Exchange for the last 90 trading days ended on the Reference Date; and
- (v) a discount of approximately 22.1% to the average closing price of approximately HK\$0.0385 per Share as quoted on the Stock Exchange for the period from 1 March 2005 up to and including the Reference Date.

We note that the Shares have been trading within a narrow band of approximately HK\$0.01 above and below the Offer Price during the above period.

During the Review Period, the highest closing price was HK\$0.188 per Share recorded on 7 December 2005 and the lowest closing price was HK\$0.020 per Share recorded on 4, 5 and 10 October 2005 respectively. The Offer Price represents a significant discount of approximately 84.0% to the highest closing price and a premium of approximately 50.0% over the lowest closing price during the Review Period. Subsequent to the publication of the Announcement, the closing prices of the Shares dropped significantly from HK\$0.160 on 9 March 2006 to HK\$0.059 per Share on 15 March 2006 and rebounded to a level of HK\$0.110 per Share as the Latest Practicable Date with significant daily price fluctuations in between. Given that (i) the price of the Shares has been traded at a level below HK\$0.05 during the

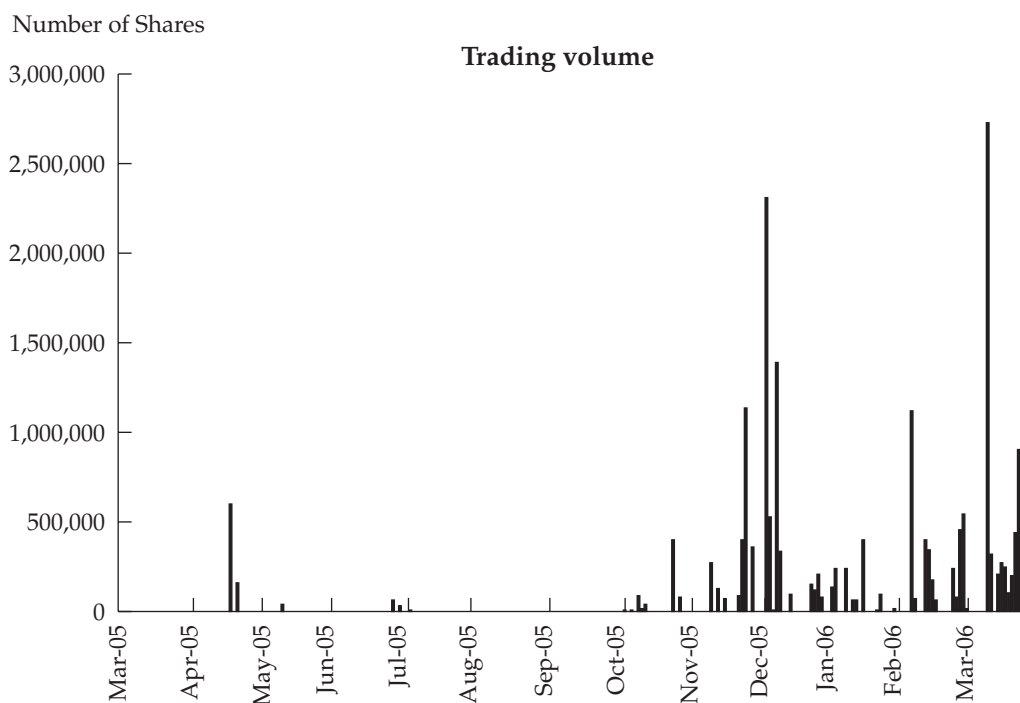


## LETTER FROM PARTNERS CAPITAL

period from mid November 2004 to mid November 2005; (ii) the recent level of price of the Shares may not be totally indicative of the business fundamentals of the Group as a result of high concentration of shareholdings; (iii) the liquidity of the Shares has been thin since June 2004 until the Reference Date, there is a commercial rationale for Wise New, as vendor, and Flyrich, as purchaser, to mutually agree at a consideration for each Share under the Share Purchase with a significant discount to the price level of the Shares before the Last Trading Day. However, purely based on the comparisons of the Offer Price with the closing prices of the Shares during the Review Period as discussed above, we, in general, consider that the Offer Price is not attractive so far as the Independent Shareholders are concerned.

- *Liquidity*

For the purpose of assessing the trading liquidity of the Shares, the following chart shows the daily trading volume of the Shares during the Review Period:



Source: Infocast

## LETTER FROM PARTNERS CAPITAL

Month	Highest daily turnover <i>(in number of Shares)</i>	Lowest daily turnover <i>(in number of Shares)</i>	Average daily turnover <i>(in number of Shares)</i>	Number of trading days with no turnover <i>(in days)</i>	Percentage of average daily turnover over total number of Shares in issue <i>(%)</i>	Percentage of average daily turnover over total number of Shares held by Independent Shareholders <i>(note)</i> <i>(%)</i>
<b>2005</b>						
March	0	0	0	21	0.000	0.000
April	600,000	0	38,000	18	0.008	0.021
May	40,000	0	2,000	19	0.000	0.001
June	64,000	0	4,364	20	0.001	0.002
July	8,000	0	444	17	0.000	0.000
August	0	0	0	23	0.000	0.000
September	0	0	0	21	0.000	0.000
October	400,000	0	32,000	13	0.007	0.018
November	1,136,000	0	116,952	14	0.025	0.065
December	2,310,000	0	261,400	10	0.057	0.145
<b>2006</b>						
January	400,000	0	66,526	10	0.014	0.037
February	1,120,000	0	174,800	10	0.038	0.097
March (From 1 March to the Latest Practicable Date)	2,728,000	0	342,588	6	0.074	0.190

*Source: Infocast*

*Note:* Based on the total number of Shares held by Independent Shareholders of 180,504,000 Shares as at the Latest Practicable Date

During the Review Period, no trading of the Shares was recorded on 202 trading days on the Stock Exchange. We note that before the Reference Date the trading of the Shares was minimal with an average daily trading volume of below 50,000 Shares whereas after the Reference Date, the trading of the Shares became more active with an average daily trading volume of well above 50,000 Shares. Subsequent to the publication of the Announcement and up to the Latest Practicable Date, the average daily trading volume of the Shares ranged at approximately 340,000 Shares, representing approximately 0.19% of the total number of issued Shares held by Independent Shareholders. Despite the recent increase in the trading volume, we consider that the liquidity of the Shares has been generally thin during the Review Period.

## LETTER FROM PARTNERS CAPITAL

### (iii) Price/earnings multiple

One approach commonly applied for valuing a listed company engaging in retail sales and wholesale of bags and accessories by the investment community is price/earnings multiple. However, as the Group was loss making for the year ended 31 March 2005, it would not be feasible and meaningful to assess the Offer Price by adopting the price-earnings multiple approach.

### (iv) Net tangible asset value

In general, it may not be common to value a company principally engaged in the retail sales and wholesale of bags and accessories by reference to its net assets or net tangible asset value. However, for the purpose of assessing whether the Offer Price is fair and reasonable with respect to the net tangible asset value per Share and to the best of our knowledge, we have reviewed and tabulated below the premia/(discounts) of the closing share prices of the Comparables as at 7 March 2006 over/(to) their respective net tangible asset value as reported in their latest published financial reports:

Company name	Year end date	Closing share price as at 7 March 2006 (HK\$)	Latest published net tangible asset/(liability) value per share (HK\$)	Premium/(discount) of the closing share price on 7 March 2006 over/(to) the latest published net tangible asset value per share
Wealthmark International (Holdings) Limited	31 December	0.580	(0.113)	N/A
Mascotte Holdings Limited	31 March	0.182	0.420	(56.7)%
Chanco International Group Limited	31 March	0.650	0.471	38.1%
Lee & Man Holding Limited	31 March	1.110	0.591	87.8%
			Mean	23.1%
			Median	38.1%
<b>The Company</b>	<b>31 March 2005</b>	<b>0.168</b>	<b>0.029</b>	<b>479.3%</b>
<b>Offer Price of HK\$0.03 per Share</b>		<b>0.03</b>	<b>0.029</b>	<b>3.45%</b>

Source: [www.hkex.com.hk](http://www.hkex.com.hk) and Infocast

## LETTER FROM PARTNERS CAPITAL

The premia/(discounts) of the closing share prices as at 7 March 2006, being the Last Trading Day, over/(to) the net tangible asset value per share of the Comparables range from a discount of approximately 56.7% to a premium of approximately 87.8%.

Upon comparison, we note that the premium of the Offer Price over the unaudited net tangible asset value per Share as at 30 September 2005 of approximately 3.45% falls within the range of the Comparables but falls below the mean and median of the Comparables.

On the above basis and from the sole perspective of assessment of the Offer Price with respect to the net asset value with reference to the Comparables, we consider that the Offer Price is not attractive so far as the Independent Shareholders are concerned.

### (v) **Intention of Flyrich regarding the future prospects of the Group**

- *Business*

As set out in the letter from Kingston Securities (the "Letter from Kingston Securities") in the Document, it is the intention of Flyrich that the existing principal activities of the Group will remain unchanged immediately after the close of the Offer. Flyrich has no intention to dispose of or re-deploy the assets of the Group other than in the ordinary course of business and to inject its assets into the Group. Following completion of the Share Purchase and following the close of the Offer, Flyrich intends to conduct a review of the Group's financial position and operations with a view to broadening and expanding the scope of business of the Group and will formulate a long-term strategy and plans for the Group. Although there is no concrete plan to alter the existing principal activities of the Group at the date of this announcement, 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 might be brought to the existing business of the Group by the Offeror.

- *Directors and management*

As set out in the Letter from Kingston Securities, it is intended that all the existing Directors will resign at the earliest time permitted under the Takeovers Code and the GEM Listing Rules. Flyrich has nominated Mr. Wong as executive director of the Company immediately after the posting of the Document. In addition, Flyrich intends to appoint other new Directors to the Board at the earliest time permitted under the Takeovers Code. Further announcement(s) will be made upon such appointments and resignations in due course. Any appointments of new Directors by Flyrich will be in full compliance with the requirements of the Takeovers Code and the GEM Listing Rules.

Although Mr. Wong have not held any directorship in listed companies in Hong Kong in the past, we note that Mr. Wong is equipped with extensive experience in the in the manufacturing of leather goods.

## LETTER FROM PARTNERS CAPITAL

Notwithstanding the above, we consider that there are uncertainties as to the impact of the intended resignations of all the existing Directors from the Board and the proposed change in the composition of the Board on the business operation of the Group.

### RECOMMENDATION

Having considered the principal factors set out above, in particular, the following:

- (i) the Offer Price represents a huge discount of approximately 82.1% to the closing price of HK\$0.168 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) the Offer Price represents discounts of approximately 81.7%, 79.0% and 72.2% to the average closing price of approximately HK\$0.164, HK\$0.143 and HK\$0.108 per Share as quoted on the Stock Exchange for the last 10 trading days ended on the Last Trading Day, the last 30 trading days ended on the Last Trading Day and the last 90 trading days ended on the Last Trading Day respectively;
- (iii) the premium of the Offer Price over the unaudited net tangible asset value per Share as at 30 September 2005 of approximately 3.45% falls below the mean and median of the Comparables; and
- (iv) the Group managed to narrow its net loss position to a level of HK\$0.3 million during nine months ended 31 December 2005 and we believe that the Group is in a position to benefit from the recovering retail market of Hong Kong as a result of increased influx of visitors from the PRC;

we consider that the Offer Price is not attractive as the Offer does not provide an attractive opportunity for the Independent Shareholders to realise their investments in the Company. Accordingly, the Offer is not fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders not to accept the Offer.

However, for those Independent Shareholders who have particular concerns in relation to (i) the prospects of the Group under the new management and/or the retail industry as discussed above; (ii) the thin liquidity of the Shares; and/or (iii) the sustainability of the recent price level of the Shares after the close of the Offer and after considering their own circumstances, wish to accept the Offer as to some or all of their Shares, they should carefully closely monitor the market price of the Shares during the Offer period and consider selling their Shares in the open market during the Offer period, rather than accepting the Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Offer. Independent Shareholders are reminded that the liquidity of the Shares has been thin during the Review Period and accordingly, there may or may not be sufficient trading volume of the Shares in the open market for Independent Shareholders to dispose of their Shares should they so

## LETTER FROM PARTNERS CAPITAL

wish. Accordingly, Independent Shareholders should exercise caution and take into account of any further development in relation to the Group before deciding whether or not to accept the Offer.

Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in the Letter from Kingston Securities in the Document and are strongly advised that the decision to realise or to hold their investment in the Shares is subject to individual circumstances and investment objectives. In any event, Independent Shareholders are reminded that the Offer is a conditional offer. If Flyrich does not receive valid acceptances of the Offer in respect of Shares which, together with the Shares already owned by Flyrich and Parties acting in concert with it before or during the offer period of the Offer, will result in Flyrich and Parties acting in concert with it holding more than 50% of the voting rights of the Company, the Offer cannot become unconditional and will lapse forthwith.

Yours faithfully,

For and on behalf of

Partners Capital International Limited

**Alan Fung**

*Managing Director*

**Harry Yu**

*Executive Director*

## 1. PROCEDURES FOR ACCEPTANCE

### The Offer

If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares are in your name, and you wish to accept the Offer, you must send the duly completed relevant Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof, to the Registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in any event not later than 4:00 p.m. on Wednesday, 19 April 2006 or such later time and/or date as Flyrich may determine and announce in accordance with the Takeovers Code.

If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares is/are in the name of a nominee company or some name other than your own, and you wish to accept the Offer whether in full or in respect of part of your holding of Shares, you must either:

- (a) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, with the nominee company, or other nominee, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the relevant Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title to the Registrar; or
- (b) arrange for the Shares to be registered in your name by the Company through the Registrar and send the relevant Form of Acceptance duly completed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title to the Registrar; or
- (c) if your Shares have been lodged with your licensed securities dealer/custodian bank through CCASS, instruct your licensed securities dealer/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/custodian bank as required by them; or
- (d) if your Shares have been lodged with your investor participant's account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Share(s) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title or that it/they is/are not readily available. If you find such document(s) or if it/they become available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instruction given, should be returned to the Registrar.

If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer, you should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to any of INCU, Kingston Corporate Finance, Kingston Securities, the Company, Flyrich or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it/they were delivered to the Registrar with the relevant Form of Acceptance.

An acceptance may not be counted as valid unless:

- (a) it is received by the Registrar on or before the latest time for acceptance at 4:00 p.m. on Wednesday, 19 April 2006 and the Registrar has recorded that the acceptance and any relevant documents required under paragraph (b) below have been so received; and
- (b) the Form of Acceptance is duly completed and is:
  - (i) accompanied by share certificate(s) in respect of the relevant Share(s) and, if that/those share certificate(s) is/are not in the name of the acceptor, such other documents (e.g. a duly stamped transfer of the relevant Shares in blank or in favour of the acceptor executed by the registered holder) in order to establish the right of the acceptor to become the registered holder of the relevant Share(s); or
  - (ii) from a registered Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other sub-paragraph of this paragraph (b); or certified by the Registrar or the Stock Exchange.



If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate evidence of authority (e.g. grant of probate or certified copy of a power of attorney) must be produced.

No acknowledgement of receipt of any Form(s) of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

## **2. SETTLEMENT**

Provided that the Form(s) of Acceptance and relevant share certificate(s) and/or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order and have been received by the Registrar by not later than 4:00 p.m. on Wednesday, 19 April 2006 being the latest time for acceptance of the Offer, a cheque for the amount due to the accepting Shareholders in respect of the Shares tendered by them under the Offer, less seller's ad valorem stamp duty payable by them, will be despatched to the accepting Shareholders to the addresses specified on the Forms of Acceptance by ordinary post at their own risk as soon as possible but in any event within 10 days of the later of (i) the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid; or (ii) the date on which the Offer becomes, or is declared, unconditional.

Settlement of the consideration to which any accepting Shareholder(s) is/are entitled under the Offer will be implemented in full in accordance with the terms of the Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which Flyrich may otherwise be, or claim to be, entitled against such accepting Shareholder.

If the Offer cannot become unconditional and lapses, Flyrich must, as soon as possible but in any event within 10 days thereof, despatch the share certificate(s) lodged with the Form(s) of Acceptance to, or make such share certificate(s) available for collection by, those Shareholders who accepted the Offer.

## **3. ACCEPTANCE PERIOD AND REVISIONS**

Unless the Offer has previously been declared unconditional or revised, the latest time and date for acceptance will be 4:00 p.m. on 19 April 2006. The Offer is conditional upon Flyrich receiving acceptance in respect of Shares, which together with Shares already held by it and Parties acting in concert with it before and during the Offer, will result in Flyrich and Parties acting in concert with it holding more than 50% of the voting rights of the Company. Pursuant to the Takeovers Code, where the Offer is declared unconditional, it will remain open for acceptance for not less than 14 days thereafter. Flyrich will make an announcement as and when the Offer becomes unconditional.

If the Offer is revised, the announcement of such revision will state the next closing date. If the Offer is revised, it will remain open for acceptance for a period of not less than 14 days from the posting of the revised Composite Document. If Flyrich revises its terms, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.

In order to be valid, Form(s) of Acceptance for the Offer must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on Wednesday, 19 April 2006, unless the Offer becomes or is declared unconditional. In the event that the Offer becomes or is declared unconditional, the Offer should remain open for acceptance for not less than 14 days thereafter.

#### **4. ANNOUNCEMENTS**

- (i) By 6:00 p.m. on Wednesday, 19 April 2006, which is the first closing date of the Offer, or such later time and/or date as the Executive may in exceptional circumstances permit, Flyrich must inform the Executive and the Stock Exchange of its decisions in relation to revision, extension, expiry or unconditionality of the Offer. Flyrich shall publish an announcement to be posted on the GEM website by 7:00 p.m. on the first closing date of the Offer stating whether the Offer has expired or have become or been declared unconditional. Such announcement will be published on the next business day in accordance with paragraph (ii) below. The announcement shall specify the number of Shares (a) for which valid acceptances have been received, (b) held, controlled or directed by Flyrich or Parties acting in concert with it before the period of the Offer; and (c) acquired or agreed to be acquired by Flyrich or any Parties acting in concert with it during the period of the Offer.

The announcement must specify the percentages of the relevant classes of share capital, and the percentages of voting rights of the Company represented by these numbers of Shares.

- (ii) As required under the Takeovers Code and the GEM Listing Rules, all announcements in relation to the Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be published on the GEM website and made in accordance with the requirements of the GEM Listing Rules.

#### **5. RIGHT OF WITHDRAWAL**

An acceptor of the Offer shall be entitled to withdraw his/her acceptance after 21 days from the first closing date of the Offer if the Offer has not by then become unconditional by lodging a notice in writing signed by the acceptor (or his/her agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar and/or to the principal office of the Company. However, such entitlement to withdraw shall be exercisable only until such time as the Offer becoming unconditional as to acceptance. Save as aforesaid and except in the circumstances set out

in Rule 19.2 of the Takeovers Code which is to the effect that if Flyrich is unable to comply with any of the requirements of making announcements relating to the Offer as described under the section headed "Announcements" above, the Executive may require that acceptors be granted a right of withdrawal on terms acceptable to the Executive until such requirements can be met. Except in the circumstances set out above, acceptances shall be irrevocable and not capable of being withdrawn.

## **6. STAMP DUTY**

Stamp duty at a rate of HK\$1 for every HK\$1,000 (or part thereof) of the amounts payable in respect of relevant acceptances will be deducted from the amounts payable to the Shareholders who accept the Offer. Flyrich will then pay such stamp duty deducted to the stamp office of the Inland Revenue Department of Hong Kong on behalf of such Shareholders who accept the Offer.

## **7. TAXATION**

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their accepting the Offer. It is emphasised that none of Flyrich, Kingston Securities, INCU or Kingston Corporate Finance or any of their respective directors or any persons involved in the Offer accept responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the Offer.

## **8. OVERSEAS SHAREHOLDERS**

The making of the Offer to overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdiction. Overseas Shareholders should obtain appropriate legal advice on, inform themselves about and observe any applicable legal requirement. It is the responsibility of each overseas Shareholder who wishes to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements.

## **9. GENERAL**

- (i) Acceptance of the Offer by any person or persons holding Shares will be deemed to constitute a warranty by such person or persons to Flyrich that the Shares acquired under the Offer are sold by any such person or persons free from all claims, liens, charges, encumbrances, equities and third party rights and together with all rights attaching thereto, including the right to receive all dividends and distributions declared, made or paid on or after the date of the Sale and Purchase Agreement.
- (ii) All communications, notices, Forms of Acceptance, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or

indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their respective agents, through post at their own risk, and none of Flyrich, Kingston Corporate Finance, INCU or Kingston Securities nor the Registrar or any of their respective agents, accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

- (iii) The provisions set out in the Form of Acceptance form part of the terms of the Offer.
- (iv) The accidental omission to despatch this Composite Document and/or the Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (v) The Offer and all acceptances will be governed by and construed in accordance with the Laws of Hong Kong.
- (vi) Due execution of a Form of Acceptance will constitute an authority to the Company, any director of the Company, Flyrich, any director of Flyrich, Kingston Securities, INCU, Kingston Corporate Finance, or such person or persons as Flyrich may direct, to complete and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in Flyrich, or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Offer.
- (vii) References to the Offer in this Composite Document and in the Form of Acceptance shall include any revision thereof.
- (viii) The English text of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese text.

## A. SHARE CAPITAL

**Authorised and issued share capital**

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

<i>Authorised:</i>	<i>HK\$</i>
Ordinary Shares	
<u>10,000,000,000</u> shares	<u>100,000,000</u>
<i>Issued and fully paid or credited as fully paid:</i>	
Ordinary Shares	
<u>460,504,000</u> shares	<u>4,605,040</u>

60,504,000 new Shares have been issued by the Company since 31 March 2005, being the date to which the latest audited consolidated financial statements of the Group were made up and up to the Latest Practicable Date. All the existing issued Shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

As at the Latest Practicable Date, the Group did not have any outstanding options, warrants or other securities carrying rights of conversion into or exchange or subscription for the Shares.

**B. FINANCIAL SUMMARY**

The following is a summary of the audited consolidated results and balance sheet of the Group for the three years ended 31 March 2005:

**Consolidated Profit and Loss Account**

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
TURNOVER	69,893	65,847	59,564
Cost of sales	<u>(36,628)</u>	<u>(34,318)</u>	<u>(28,989)</u>
Gross profit	33,265	31,529	30,575
Other revenue	681	557	497
Selling and distribution costs	(23,596)	(17,797)	(17,595)
Administrative expenses	<u>(19,494)</u>	<u>(13,146)</u>	<u>(10,564)</u>
(LOSS)/PROFIT FROM OPERATIONS	(9,144)	1,143	2,913
Finance costs	<u>(584)</u>	<u>(499)</u>	<u>(660)</u>
(LOSS)/PROFIT BEFORE TAXATION	(9,728)	644	2,253
Taxation	<u>(223)</u>	<u>(281)</u>	<u>(542)</u>
(LOSS)/PROFIT BEFORE MINORITY INTERESTS	(9,951)	363	1,711
Minority interests	<u>(94)</u>	<u>388</u>	<u>(15)</u>
NET (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS	<u><u>(10,045)</u></u>	<u><u>751</u></u>	<u><u>1,696</u></u>
DIVIDENDS	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>
(LOSS)/EARNINGS PER SHARE			
– Basic	(HK2.51 cents)	HK0.19 cent	HK0.44 cent
– Diluted	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

*Notes:*

- For each of the three years ended 31 March 2005, there is no extraordinary or exceptional items noted.
- For each of the three years ended 31 March 2005 and based on their respective auditors' reports, there is no qualification contained thereto.

## Consolidated Balance Sheet

	2005	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Fixed assets	6,166	6,198	7,087
Long-term investments	830	4,000	4,000
Rental and sundry deposits	1,723	2,111	1,445
	<u>8,719</u>	<u>12,309</u>	<u>12,532</u>
<b>CURRENT ASSETS</b>			
Short-term investments	1,434	934	–
Inventories	3,023	2,668	2,139
Accounts receivable	6,591	7,744	7,938
Prepayments, deposits and other receivables	2,144	2,855	1,442
Due from a minority shareholder	360	360	360
Taxes refundable	28	125	62
Pledged bank deposits	2,742	3,567	3,403
Cash and bank balances	1,527	6,765	6,837
	<u>17,849</u>	<u>25,018</u>	<u>22,181</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	3,418	3,907	4,495
Accrued expenses and other payables	1,317	1,318	1,354
Taxes payable	167	740	459
Bills payable – secured	4,381	3,556	2,390
Bank overdrafts – secured	3,810	3,644	2,637
Short-term bank loans – secured	600	600	1,862
Current portion of long-term bank loans – secured	947	1,080	–
	<u>14,640</u>	<u>14,845</u>	<u>13,197</u>
<b>NET CURRENT ASSETS</b>	<u>3,209</u>	<u>10,173</u>	<u>8,984</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	11,928	22,482	21,516
<b>NON-CURRENT LIABILITIES</b>			
Long-term bank loans – secured	–	603	–
	11,928	21,879	21,516
<b>MINORITY INTERESTS</b>	<u>(121)</u>	<u>(27)</u>	<u>(415)</u>
	<u>11,807</u>	<u>21,852</u>	<u>21,101</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	4,000	4,000	4,000
Reserves	7,807	17,852	17,101
	<u>11,807</u>	<u>21,852</u>	<u>21,101</u>

## C. FINANCIAL STATEMENTS

Set out below is the audited financial information of the Group for the two years ended 31 March 2005 as extracted from the Annual Report 2005.

**Consolidated Profit and Loss Account**

*For the year ended 31 March 2005*

	<i>Notes</i>	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
TURNOVER	4	69,893	65,847
Cost of sales		<u>(36,628)</u>	<u>(34,318)</u>
Gross profit		33,265	31,529
Other revenue	4	681	557
Selling and distribution costs		(23,596)	(17,797)
Administrative expenses		<u>(19,494)</u>	<u>(13,146)</u>
(LOSS)/PROFIT FROM OPERATIONS	5	(9,144)	1,143
Finance costs	6	<u>(584)</u>	<u>(499)</u>
(LOSS)/PROFIT BEFORE TAXATION		(9,728)	644
Taxation	9	<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	10	<u><u>(10,045)</u></u>	<u><u>751</u></u>
DIVIDENDS	11	<u><u>–</u></u>	<u><u>–</u></u>
(LOSS)/EARNINGS PER SHARE	12		
– Basic		(HK2.51 cents)	HK0.19 cent
– Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>



**Consolidated Balance Sheet***As at 31 March 2005*

	<i>Notes</i>	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Fixed assets	13	6,166	6,198
Long-term investments	15	830	4,000
Rental and sundry deposits		1,723	2,111
		<u>8,719</u>	<u>12,309</u>
<b>CURRENT ASSETS</b>			
Short-term investments	15	1,434	934
Inventories	16	3,023	2,668
Accounts receivable	17	6,591	7,744
Prepayments, deposits and other receivables		2,144	2,855
Due from a minority shareholder	18	360	360
Taxes refundable		28	125
Pledged bank deposits	20	2,742	3,567
Cash and bank balances		1,527	6,765
		<u>17,849</u>	<u>25,018</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	19	3,418	3,907
Accrued expenses and other payables		1,317	1,318
Taxes payable		167	740
Bills payable – secured	20	4,381	3,556
Bank overdrafts – secured	20	3,810	3,644
Short-term bank loans – secured	20	600	600
Current portion of long-term bank loans – secured	20	947	1,080
		<u>14,640</u>	<u>14,845</u>
<b>NET CURRENT ASSETS</b>		<u>3,209</u>	<u>10,173</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		11,928	22,482
<b>NON-CURRENT LIABILITIES</b>			
Long-term bank loans – secured	20	–	603
		11,928	21,879
<b>MINORITY INTERESTS</b>		<u>(121)</u>	<u>(27)</u>
		<u>11,807</u>	<u>21,852</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	21	4,000	4,000
Reserves	23	7,807	17,852
		<u>11,807</u>	<u>21,852</u>

**Balance Sheet of the Company***As at 31 March 2005*

	<i>Notes</i>	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
NON-CURRENT ASSETS			
Investments in subsidiaries	14	17,820	18,095
CURRENT ASSETS			
Cash and bank balances		2	3
Taxes refundable		26	–
		28	3
CURRENT LIABILITIES			
Accrued expenses and other payables		100	270
Taxes payable		–	21
		100	291
NET CURRENT LIABILITIES		(72)	(288)
NET ASSETS		17,748	17,807
CAPITAL AND RESERVES			
Share capital	21	4,000	4,000
Reserves	23	13,748	13,807
		17,748	17,807

**Statement of Changes in Equity of the Group and the Company***For the year ended 31 March 2005***Group**

	<b>Share capital</b> <i>HK\$'000</i>	<b>Share premium</b> <i>HK\$'000</i>	<b>Retained earnings/ (Accumulated losses)</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Balance at 1 April 2003	4,000	13,703	3,398	21,101
Net profit for the year	—	—	751	751
Balance at 1 April 2004	4,000	13,703	4,149	21,852
Net loss for the year	—	—	(10,045)	(10,045)
Balance at 31 March 2005	<u>4,000</u>	<u>13,703</u>	<u>(5,896)</u>	<u>11,807</u>

**Company**

	<b>Share capital</b> <i>HK\$'000</i>	<b>Share premium</b> <i>HK\$'000</i>	<b>Retained earnings</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Balance at 1 April 2003	4,000	13,703	7	17,710
Net profit for the year	—	—	97	97
Balance at 1 April 2004	4,000	13,703	104	17,807
Net loss for the year	—	—	(59)	(59)
Balance at 31 March 2005	<u>4,000</u>	<u>13,703</u>	<u>45</u>	<u>17,748</u>

**Consolidated Cash Flow Statement***For the year ended 31 March 2005*

	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
(Loss)/profit before taxation	(9,728)	644
Adjustments for:		
Depreciation	1,742	1,498
Provision for impairment loss of other investments	3,500	–
Interest income	(58)	(17)
Interest expenses	584	499
Loss on disposals of fixed assets	1,041	–
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(2,919)	2,624
Increase in inventories	(355)	(529)
Decrease in accounts receivable	1,153	194
Decrease/(Increase) in prepayments, deposits and other receivables	1,099	(3,013)
Decrease in accounts payable	(489)	(588)
Increase in bills payable	825	1,166
Decrease in accrued expenses and other payables	(1)	(36)
	<hr/>	<hr/>
Cash used in operations	(687)	(182)
Interest income received	58	17
Interest paid	(584)	(499)
Tax paid	(699)	(63)
	<hr/>	<hr/>
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(1,912)</b>	<b>(727)</b>
<b>INVESTING ACTIVITIES</b>		
New pledged bank deposits	–	(164)
Withdrawals of pledged bank deposits	825	–
Purchases of other investments	(830)	–
Sales proceeds of disposals of fixed assets	1,038	–
Purchases of fixed assets	(3,789)	(609)
	<hr/>	<hr/>
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(2,756)</b>	<b>(773)</b>

**APPENDIX II****FINANCIAL INFORMATION ON THE GROUP**

	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
FINANCING ACTIVITIES		
Repayments of bank loans	(1,236)	(1,579)
New bank loans raised	500	2,000
	<u>          </u>	<u>          </u>
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	(736)	421
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,404)	(1,079)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,121	4,200
	<u>          </u>	<u>          </u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>(2,283)</u>	<u>3,121</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,527	6,765
Bank overdrafts	(3,810)	(3,644)
	<u>          </u>	<u>          </u>
	<u>(2,283)</u>	<u>3,121</u>

**Notes to the Financial Statements**

*For the year ended 31 March 2005*

**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 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 PRINCIPAL ACCOUNTING POLICIES**

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.

The principal accounting policies adopted in the preparation of these accounts 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. 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account 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 profit and loss account.

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) 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.

**(c) 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 are put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 on the straight-line basis to write off the cost of each asset over its estimated useful life. 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 profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

**(d) Long-term and short-term investments**

Investment securities and unit trusts intended to be held for identified long-term purpose or strategic reason are included in the balance sheet under non-current assets. Investment securities and unit trusts held exclusively with a view to its subsequent disposal in the near future are included in the balance sheet under current assets. These investments are carried at cost less provision. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account and is written back to profit and loss account when the circumstances and events that led to the write-down cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Held-to-maturity securities are investment in debt securities which the Group has the expressed intention and ability to hold to maturity. These securities are stated at cost adjusted for the amortisation of premiums or discounts arising on acquisition over the periods to maturity, less provision for impairment in their value which is other than temporary. Provisions are made for the amount of the carrying value which the Group does not expect to recover and are recognised as an expense in the profit and loss account as they arise. The amortisation of premiums and discounts arising on acquisition of dated debt securities is included as part of interest income in the profit and loss account. Gain and loss on realisation of held-to-maturity securities is accounted for in the profit and loss account as they arise.

**(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**

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer be required. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

**(g) Cash and cash equivalents**

Cash and cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired, less advances from bank repayable within three months from the date of the advance.

**(h) Foreign currencies**

Foreign currency transactions are recorded 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 profit and loss account.

The Group's branch in Taiwan maintains its records in New Taiwanese 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 profit and loss account.

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.

**(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) Contingent liabilities and contingent assets**

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.

**(k) Revenue recognition**

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 principal outstanding and the effective interest rate applicable.

**(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 profit and loss account 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 accounts. Taxation rates enacted or substantively enacted by the balance sheet date is used to determine deferred taxation.

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

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 profit and loss account in the year in which they are incurred.

**(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) *Equity compensation benefits*

No compensation cost is recognised in the profit and loss account in connection with share options granted. When the share options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(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.

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

## (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	
	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	51,660	48,059	3,087	4,257	12,442	10,340	1,876	1,755	828	1,436	69,893	65,847
Other segment information:												
Segment assets	16,015	27,296	7,019	7,426	3,442	2,605	92	-	-	-	26,568	37,327
Capital expenditure	935	547	527	-	248	62	-	-	-	-	1,710	609

## 4. 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 HK\$'000	2004 HK\$'000
Turnover		
Sales	69,893	65,847
Other revenue		
Interest income	58	17
Exchange gains	216	-
Sundry income	407	540
	681	557
Total revenue	70,574	66,404

## 5. (LOSS)/PROFIT FROM OPERATIONS

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

	2005 HK\$'000	2004 HK\$'000
<b>Crediting:</b>		
Interest income	58	17
Recovery of bad debts	249	–
Exchange gains	216	56
<b>Charging:</b>		
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, note (7))		
Salaries	11,362	8,953
Pension scheme contributions	340	267
	<u>340</u>	<u>267</u>

## 6. FINANCE COSTS

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

## 7. DIRECTORS' REMUNERATIONS

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

	Group	
	2005 HK\$'000	2004 HK\$'000
<b>Fees:</b>		
Executive directors	–	–
Non-executive directors	–	–
Independent non-executive directors	–	–
	<u>–</u>	<u>–</u>
<b>Other emoluments of executive directors:</b>		
Basic salaries, housing benefits, other allowances and benefits in kind	1,032	1,080
Pension scheme contributions	12	12
	<u>1,044</u>	<u>1,092</u>

Two executive directors of the Group received individual emoluments of approximately HK\$594,000 (2004: HK\$660,000) and HK\$450,000 (2004: HK\$432,000) during the year ended 31 March 2005.

All independent non-executive directors and the non-executive director did not receive any emoluments during the year (2004: Nil).

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

	Number of directors	
	2005	2004
<b>Emolument bands</b>		
Nil to HK\$1,000,000	<u>7</u>	<u>7</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2004: Nil).

#### 8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2004: two) executive directors, details of whose emoluments are set out in note 7 above. Details of the emoluments of the remaining three (2004: three) employees are set out as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	874	758
Pension scheme contributions	<u>36</u>	<u>35</u>
	<u>910</u>	<u>793</u>

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.

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration during the year (2004: Nil).

#### 9. 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.

- (a) The amount of taxation in the consolidated profit and loss account represents:

	Group	
	2005	2004
	HK\$'000	HK\$'000
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:-

	Group	
	2005	2004
	HK\$'000	HK\$'000
(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)
	<u>          </u>	<u>          </u>
Tax charge for the year	<u>          223</u>	<u>          281</u>

- (b) Details of deferred taxation of the Group are set out in note 24.

#### 10. NET (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Net loss attributable to shareholders for the year ended 31 March 2005 dealt with in the financial statements of the Company was HK\$59,000 (2004: Net profit of HK\$97,000).

#### 11. DIVIDENDS

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

#### 12. (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.

## 13. FIXED ASSETS

## Group

	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>				
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)
	<u>5,061</u>	<u>3,309</u>	<u>3,969</u>	<u>12,339</u>
At 31 March 2005	<u>5,061</u>	<u>3,309</u>	<u>3,969</u>	<u>12,339</u>
<b>Accumulated depreciation</b>				
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)
	<u>1,255</u>	<u>2,621</u>	<u>2,297</u>	<u>6,173</u>
At 31 March 2005	<u>1,255</u>	<u>2,621</u>	<u>2,297</u>	<u>6,173</u>
<b>Net book value</b>				
At 31 March 2005	<u>3,806</u>	<u>688</u>	<u>1,672</u>	<u>6,166</u>
At 31 March 2004	<u>4,258</u>	<u>807</u>	<u>1,133</u>	<u>6,198</u>

As at 31 March 2005, there was no plant and machinery leased to the third party (2004: net book value of HK\$2,555,000).

## 14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Unlisted shares, at cost	64	64
Due from subsidiaries	17,756	19,489
Due to subsidiaries	–	(1,458)
	<u>17,820</u>	<u>18,095</u>



**APPENDIX II**
**FINANCIAL INFORMATION ON THE GROUP**

Amounts due are unsecured, interest free and have no fixed repayment terms. 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
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

**15. LONG-TERM AND SHORT-TERM INVESTMENTS**

	Notes	Group	
		2005 HK\$'000	2004 HK\$'000
<b>Long-term investments</b>			
Investment securities listed in Hong Kong	(a)	-	4,000
Equity-linked notes	(b)	780	-
Held-to-maturity securities		50	-
		<u>830</u>	<u>4,000</u>
<b>Short-term investments</b>			
Investment securities listed in Hong Kong	(a)	500	-
Unit trusts, unlisted		934	934
		<u>1,434</u>	<u>934</u>

Notes:

(a) Investment securities listed in Hong Kong

	Group	
	2005 HK\$'000	2004 HK\$'000
Listed equity securities, at cost	4,000	4,000
Provision for impairment loss	(3,500)	–
	<u>500</u>	<u>4,000</u>
Fair/Market value	<u>500</u>	<u>6,000</u>

Details of this investment held by the Group as at 31 March 2005 are as follows:

Company	Place of incorporation	Class of shares	Percentage holding	Nature of business
IA International Holdings Limited	Bermuda	Ordinary	3.33%	E-commerce

As this investment will be disposed of in the near future, the balance is reclassified as a short-term investment as at 31 March 2005. Provision for impairment loss during the year amounting to HK\$3,500,000 is determined based on the estimates made by the Board in view of the latest market information with reference to the range of the ratios of net assets to the sales consideration of the similar transactions.

- (b) Equity-linked notes (the “ELNs”) were issued by an independent third party private company (the “Note Issuer”). These ELNs bear interest at the rates ranging between 9% and 10% per annum and are redeemable by the Note Issuer on maturity dates, which are three to four years after the issuance dates.

The ELNs or any part thereof are convertible into shares of the companies listed on the Stock Exchange at a specified conversion price at the option of the Group. The Group has the right to demand the Note Issuer to redeem the principal amounts if the conversion price is lower than the closing market price upon maturity. If the closing market price is lower than the conversion price upon maturity, the invested amount will be converted to the shares of the companies as specified in the ELNs at the conversion price.

Other than investment securities listed in Hong Kong as described in (a) above, all investments have been pledged to the bank to secure the banking facilities (see note 20 (c)).

## 16. INVENTORIES

All inventories held at year end are finished goods. As at 31 March 2005, no inventories were stated at net realisable value (2004: 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 (2004: 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	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	5,570	7,288
91-180 days	1,013	151
181-365 days	4	270
Over 1 year	4	35
	<u>6,591</u>	<u>7,744</u>

#### 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	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	2,748	3,178
91 – 180 days	190	–
181 – 365 days	–	25
Over 1 year	480	704
	<u>3,418</u>	<u>3,907</u>

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Represented by:		
Payable to a related company	480	1,433
Payable to third parties	2,938	2,474
	<u>3,418</u>	<u>3,907</u>

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

## 20. BANK BORROWINGS

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bills payable, secured	<u>4,381</u>	<u>3,556</u>
Bank overdrafts, secured	<u>3,810</u>	<u>3,644</u>
Short-term bank loans, secured	<u>600</u>	<u>600</u>
Long term bank loans, secured		
Wholly repayable within five years	947	1,683
Less: Current portion included in current liabilities	<u>(947)</u>	<u>(1,080)</u>
Long-term portion	<u>-</u>	<u>603</u>

The above bank borrowings as at 31 March 2005 are secured by the following:

- (a) the pledge of bank deposits of approximately HK\$2,742,000 (2004: HK\$3,567,000);
- (b) corporate guarantees executed by the Company totaling HK\$12,253,000 (2004: HK\$14,873,000); and
- (c) the pledge of certain assets of a subsidiary of the Company amounting to HK\$1,764,000 (2004: HK\$934,000) (note 15).

## 21. SHARE CAPITAL

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
400,000,000 ordinary shares of HK\$0.01 each	<u>4,000</u>	<u>4,000</u>

There have been no movements in share capital during the years ended 31 March 2004 and 31 March 2005.

## 22. 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.

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 up to the date of this report, no share options have been granted pursuant to the Scheme.

### 23. 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.

### 24. UNRECOGNISED DEFERRED TAXATION

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

	Group	
	2005	2004
	HK\$'000	HK\$'000
Taxation effect of temporary differences arising as a result of:		
Tax losses available to set off against future assessable profits	1,149	–
Excess of depreciation charged in the financial statements over depreciation allowance claimed for tax purposes	397	309
	<u>1,546</u>	<u>309</u>

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.

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	
	2005	2004
	HK\$'000	HK\$'000
Taxation effect of temporary differences arising as a result of:		
Tax losses available to set off against future assessable profits	1,149	–
Excess of depreciation charged in the financial statements over depreciation allowance claimed for tax purposes	88	54
	<u>1,237</u>	<u>54</u>

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

## 25. RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed elsewhere in the financial statements, the following significant related party transactions were carried out in the normal course of the Group's business:

	2005	2004
	HK\$'000	HK\$'000
(a) Purchases from a related company	<u>–</u>	<u>1,774</u>
(b) During the year ended 31 March 2005, there was no (2004: HK\$3,120,000) corporate guarantee given by a related company for the banking facilities granted to a subsidiary of the Group.		

*Note:* The related companies in the transactions (a) and (b) are a subsidiary and an immediate holding company of the minority shareholder of a subsidiary of the Group respectively.

## 26. CONTINGENT LIABILITIES

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given on the banking facilities granted and utilised by subsidiaries	–	–	9,738	9,483
Bills discount with recourse	76	100	–	–
	<u>76</u>	<u>100</u>	<u>9,738</u>	<u>9,483</u>

## 27. COMMITMENTS

### (a) Operating lease arrangements

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

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

**(b) Capital commitments**

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for	<u>-</u>	<u>137</u>

Save for the operating lease commitments and capital commitments above, at the balance sheet date, neither the Group, nor the Company had significant commitments.

**28. ULTIMATE HOLDING COMPANY**

The directors regard Wise New Management Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

**29. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current year's presentation of the financial statements.

**30. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 31 May 2005.

## D. INTERIM AND THIRD QUARTERLY RESULTS

Set out below are the unaudited consolidated interim financial statements of the Group for the six months ended 30 September 2005 and for the nine months ended 31 December 2005 together with the comparative figures as extracted from the 2005 half yearly report and the 2005 third quarterly report of the Company.

**Consolidated Income Statement – Unaudited**

*For the six months ended 30 September 2005*

	Notes	Six months ended 30 September		Three months ended 30 September	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
TURNOVER	2	35,780	33,956	18,406	17,764
Cost of goods sold		(18,400)	(17,466)	(9,908)	(8,826)
Gross profit		17,380	16,490	8,498	8,938
Other revenue		1,187	383	928	–
Selling and distribution costs		(12,227)	(10,401)	(6,027)	(5,700)
Administrative expenses		(6,106)	(7,306)	(3,307)	(4,592)
PROFIT/(LOSS) FROM OPERATIONS		234	(834)	92	(1,354)
Finance costs		(291)	(280)	(149)	(140)
LOSS BEFORE TAX	3	(57)	(1,114)	(57)	(1,494)
Taxation	4	–	(8)	–	23
LOSS BEFORE MINORITY INTERESTS		(57)	(1,122)	(57)	(1,471)
Minority interests		–	(95)	–	–
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		(57)	(1,217)	(57)	(1,471)
DIVIDEND	6	–	–	–	–
LOSS PER SHARE	5				
Basic		HK(0.01) cent	HK(0.30) cent	HK(0.01) cent	HK(0.37) cent
Diluted		N/A	N/A	N/A	N/A

*Note:* For each of the periods ended 30 September 2004 and 2005, there is no extraordinary or exceptional items noted.



## Condensed Consolidated Balance Sheet – unaudited

		As at 30 September 2005 (Unaudited) HK\$'000	As at 31 March 2005 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		5,360	6,166
Long-term investments		830	830
Rental and sundry deposits		2,392	1,723
		<u>8,582</u>	<u>8,719</u>
<b>CURRENT ASSETS</b>			
Short-term investments	9	934	1,434
Inventories		3,339	3,023
Accounts receivable	7	7,874	6,591
Prepayments, deposits and other receivables		1,152	2,144
Due from a minority shareholder		360	360
Taxes refundable		28	28
Pledged bank deposits		2,770	2,742
Cash and bank balances		532	1,527
		<u>16,989</u>	<u>17,849</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	8	4,509	3,418
Accrued expenses and other payables		1,253	1,317
Amount due to ultimate holding company		88	–
Taxes payable		167	167
Bill payable – secured		2,394	4,381
Bank overdrafts – secured		3,679	3,810
Short-term bank loans – secured		600	600
Current portion of long-term bank loans – secured		177	947
Current portion of other loans		500	–
		<u>13,367</u>	<u>14,640</u>
<b>NET CURRENT ASSETS</b>		<u>3,622</u>	<u>3,209</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		12,204	11,928
<b>NON-CURRENT LIABILITIES</b>			
Long-term other loans		333	–
		11,871	11,928
<b>MINORITY INTERESTS</b>		<u>(121)</u>	<u>(121)</u>
		<u>11,750</u>	<u>11,807</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		4,000	4,000
Reserves		7,750	7,807
		<u>11,750</u>	<u>11,807</u>

## Consolidated Cash Flow Statement

	Six months ended 30 September 2005 (Unaudited) <i>HK\$'000</i>	Six months ended 30 September 2004 (Unaudited) <i>HK\$'000</i>
Net cash (outflow)/inflow from operating activities	(393)	558
Net cash outflow from investing activities	(534)	(3,548)
Net cash inflow from financing activities	<u>63</u>	<u>12</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(864)	(2,978)
Cash and cash equivalents at beginning of period	<u>(2,283)</u>	<u>3,121</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>(3,147)</u></u>	<u><u>143</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	532	3,912
Bank overdrafts	<u>(3,679)</u>	<u>(3,769)</u>
	<u><u>(3,147)</u></u>	<u><u>143</u></u>

## Consolidated Statement of Changes in Equity – Unaudited

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Retained earnings/ (Accumulated losses) (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2004	4,000	13,703	4,149	21,852
Net loss for the period	—	—	(1,217)	(1,217)
At 30 September 2004	<u>4,000</u>	<u>13,703</u>	<u>2,932</u>	<u>20,635</u>
At 1 April 2005	4,000	13,703	(5,896)	11,807
Net loss for the period	—	—	(57)	(57)
At 30 September 2005	<u>4,000</u>	<u>13,703</u>	<u>(5,953)</u>	<u>11,750</u>

Notes:

#### 1. BASIS OF PREPARATION

The unaudited consolidated interim accounts have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong, comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), the disclosure requirements of the GEM Listing Rules and the Hong Kong Companies Ordinance. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2005.

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (the "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has adopted the new HKFRSs in the preparation of accounts for the period from 1 April 2005 onwards. The adoption of the new HKFRSs had no material impact on the Group's results of operations and financial position.

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

#### 2. TURNOVER AND SEGMENT INFORMATION

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

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 agents and distributors; and
- (c) the corporate segment represents investment holding.

**(a) Business segments**

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

	Six months ended 30 September							
	Retail		Wholesale		Corporate		Consolidated	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	21,490	19,858	14,290	14,098	-	-	35,780	33,956
Segment results	3,421	2,487	1,649	964	(4,836)	(4,285)	234	(834)
Finance costs							(291)	(280)
Loss before tax							(57)	(1,114)
Taxation							-	(8)
Loss before minority interests							(57)	(1,122)
Minority interests							-	(95)
Net loss from ordinary activities attributable to shareholders							(57)	(1,217)
<b>BALANCE SHEET</b>								
<b>ASSETS</b>								
Segment assets	7,381	7,277	12,785	17,659	5,405	12,543	25,571	37,479
<b>LIABILITIES</b>								
Segment liabilities	2,578	3,270	1,451	2,028	9,671	11,424	13,700	16,722
Other segment information:								
Depreciation	325	284	481	359	76	111	882	754
Capital expenditure	6	535	-	2,606	71	428	77	3,569

**(b) Geographical segments**

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

	Six months ended 30 September													
	Hong Kong		People's Republic of China ("PRC") (not including Hong Kong)				Taiwan		Singapore		Other		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004		
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000		
Segment revenue:														
Sales to external customers	26,211	25,268	2,409	1,411	5,922	5,873	1,026	950	212	454	35,780	33,956		
Other segment information:														
Segment assets	16,329	20,896	5,290	13,110	3,918	3,244	34	229	-	-	25,571	37,479		
Capital expenditure	72	719	-	2,606	5	244	-	-	-	-	77	3,569		

### 3. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Six months ended 30 September		Three months ended 30 September	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Interest on overdrafts and bank loans	291	280	149	140
Depreciation	882	754	456	357

### 4. TAXATION

No provision for taxation has been made (three and six months ended 30 September 2004: 17.5%) as the Group has an estimated loss for Hong Kong profits tax purposes in the current periods. 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.

### 5. LOSS PER SHARE

The calculations of basic loss per share for the three and six months ended 30 September 2005 are based on the unaudited consolidated net loss attributable to shareholders for the three and six months ended 30 September 2005 of approximately HK\$57,000 and HK\$57,000 respectively (three and six months ended 30 September 2004: net loss attributable to shareholders of approximately HK\$1,471,000 and HK\$1,217,000 respectively) and on 400,000,000 shares in issue during the three and six months ended 30 September 2005 (three and six months ended 30 September 2004: 400,000,000 shares).

Diluted loss per share for the three and six months ended 30 September 2005 and the corresponding periods in 2004 have not been disclosed as no dilutive events existed during those periods.

## 6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2005 (six months ended 30 September 2004: Nil).

## 7. ACCOUNTS RECEIVABLE

The Group's trading terms with its customers are mainly on credit, which generally have credit terms of up to 90 days (six months ended 30 September 2004: 90 days). The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

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

	<b>30 September 2005</b> (Unaudited) <i>HK\$'000</i>	<b>31 March 2005</b> (Audited) <i>HK\$'000</i>
Within 90 days	6,460	5,570
91-180 days	1,394	1,013
181-365 days	14	4
Over 1 year	6	4
	<u>7,874</u>	<u>6,591</u>

## 8. ACCOUNTS PAYABLE

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

	<b>30 September 2005</b> (Unaudited) <i>HK\$'000</i>	<b>31 March 2005</b> (Audited) <i>HK\$'000</i>
Within 90 days	2,137	2,748
91-180 days	1,892	190
181-365 days	–	–
Over 1 year	480	480
	<u>4,509</u>	<u>3,418</u>

## 9. SHORT-TERM INVESTMENTS

	<b>30 September 2005</b> (Unaudited) <i>HK\$'000</i>	<b>31 March 2005</b> (Audited) <i>HK\$'000</i>
Equity securities – listed in Hong Kong	–	500
Unit trusts, unlisted	934	934
	<u>934</u>	<u>1,434</u>

**Consolidated Income Statement – Unaudited***For the nine months ended 31 December 2005*

	Notes	Nine months ended 31 December		Three months ended 31 December	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
TURNOVER	2	54,154	52,875	18,374	18,919
Cost of goods sold		<u>(28,968)</u>	<u>(29,982)</u>	<u>(10,568)</u>	<u>(12,516)</u>
Gross profit		25,186	22,893	7,806	6,403
Other revenue		1,432	476	245	93
Selling and distribution costs		(17,754)	(16,577)	(5,527)	(6,175)
Administrative expenses		<u>(8,710)</u>	<u>(11,773)</u>	<u>(2,604)</u>	<u>(4,468)</u>
PROFIT/(LOSS) FROM OPERATIONS		154	(4,981)	(80)	(4,147)
Finance costs		<u>(435)</u>	<u>(444)</u>	<u>(144)</u>	<u>(164)</u>
LOSS BEFORE TAXATION		(281)	(5,425)	(224)	(4,311)
Taxation	3	<u>(4)</u>	<u>(42)</u>	<u>(4)</u>	<u>(34)</u>
LOSS BEFORE MINORITY INTERESTS		(285)	(5,467)	(228)	(4,345)
Minority interests		<u>-</u>	<u>(95)</u>	<u>-</u>	<u>-</u>
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		<u><u>(285)</u></u>	<u><u>(5,562)</u></u>	<u><u>(228)</u></u>	<u><u>(4,345)</u></u>
DIVIDEND	5	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
LOSS PER SHARE	4				
Basic		<u><u>HK(0.07) cent</u></u>	<u><u>HK(1.39) cent</u></u>	<u><u>HK(0.06) cent</u></u>	<u><u>HK(1.09) cent</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

Notes:

### 1. BASIS OF PREPARATION

The unaudited consolidated results have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong, comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), the disclosure requirements of the GEM Listing Rules and the Hong Kong Companies Ordinance. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2005.

The HKICPA has issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (the "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has adopted the new HKFRSs in the preparation of accounts for the period from 1 April 2005 onwards. The adoption of the new HKFRSs had no material impact on the Group's results of operations and financial position.

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

### 2. TURNOVER

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

	Nine months ended 31 December		Three months ended 31 December	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Retail	29,638	32,358	8,148	12,500
Wholesale	24,516	20,517	10,226	6,419
	<u>54,154</u>	<u>52,875</u>	<u>18,374</u>	<u>18,919</u>

### 3. TAXATION

Hong Kong Profits Tax for the three months and nine months ended 31 December 2005 has been provided at the rate of 17.5% (three months and nine months ended 31 December 2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the periods. Taxes on profit 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.

### 4. LOSS PER SHARE

The calculations of basic loss per share for the three months and nine months ended 31 December 2005 are based on the unaudited consolidated net loss attributable to shareholders for the three months and nine months ended 31 December 2005 of approximately HK\$228,000 and HK\$285,000 respectively (three months and nine months ended 31 December 2004: unaudited consolidated net loss attributable to shareholders of approximately HK\$4,345,000 and HK\$5,562,000 respectively) and the weighted average of 401,265,084 and 405,060,335 shares respectively in issue during the three months and nine months ended 31 December 2005 (three months and nine months ended 31 December 2004: 400,000,000 shares in issue).

Diluted loss per share for the three months and nine months ended 31 December 2004 and 2005 have not been disclosed as no diluting events existed during those periods.



## 5. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months and nine months ended 31 December 2005 (three months and nine months ended 31 December 2004: Nil).

## 6. RESERVES

	<b>Share premium</b> <i>HK\$'000</i>	<b>Retained earnings</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 April 2004	13,703	4,149	17,852
Net loss for the period	<u>–</u>	<u>(1,217)</u>	<u>(1,217)</u>
At 30 September 2004	13,703	2,932	16,635
Net loss for the period	<u>–</u>	<u>(4,345)</u>	<u>(4,345)</u>
At 31 December 2004	<u>13,703</u>	<u>(1,413)</u>	<u>12,290</u>
At 1 April 2005	13,703	(5,896)	7,807
Net loss for the period	<u>–</u>	<u>(57)</u>	<u>(57)</u>
At 30 September 2005	13,703	(5,953)	7,750
Placing of new shares	1,215	–	1,215
Net loss for the period	<u>–</u>	<u>(228)</u>	<u>(228)</u>
At 31 December 2005	<u>14,918</u>	<u>(6,181)</u>	<u>8,737</u>

## E. INDEBTEDNESS

**Liquidity, financial resources and capital structure**

As at 31 January 2006, (the latest practicable date for this statement of indebtedness prior to printing of this circular), the Group has outstanding bank borrowings of approximately HK\$2.2 million. The bank borrowings comprised secured bills payable of approximately HK\$1.2 million and secured bank loans of approximately HK\$1.0 million. The whole bank borrowings of approximately HK\$2.2 million was repayable within one year. The bank borrowings were secured by a pledge of bank deposits of not less than HK\$2.3 million by an independent third party, a charge on investment products of not less than HK\$2.2 million by an independent third party, personal guarantees executed by a director of the Company and two directors of a subsidiary of the Company.

**Contingent liabilities**

The Group had no material contingent liabilities as at 31 January 2006.

**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.

At 31 January 2006, the Group had total future minimum lease payments in respect of non-cancellable operation leases falling due as follows:

	<b>31 January 2006</b> <b>(Unaudited)</b> <i>HKD'000</i>
Land and buildings expiring:	
Within one year	8,755
In the second to fifth years, inclusive	2,681
	<hr/>
	11,436
	<hr/> <hr/>

Save for the above commitments, as at 31 January 2006, the Group had no other significant commitments.

**Disclaimer**

To the best knowledge of the Directors, save as aforesaid or otherwise disclosed herein and apart from intra-group liabilities, none of the companies in the Group has outstanding mortgages, charges, debentures or loan capital, loans or other similar indebtedness or acceptance credits or hire purchase commitments or any other guarantees or other material contingent liabilities as at the close of business at 31 January 2006.

The Directors confirmed that, save as disclosed above, there has not been any material change in indebtedness and contingent liabilities of the Group since 31 January 2006.

**MATERIAL CHANGE**

The Directors confirm that they are not aware that there has been any material change in the financial or trading position or outlook of the Group since 31 March 2005, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**RESPONSIBILITY STATEMENT**

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Company and Flyrich.

The information contained in this Composite Document (other than that relating to Flyrich, the terms and conditions of the Offer and Flyrich's intention regarding the Group) is supplied by the Directors. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to Flyrich, the terms and conditions of the Offer and Flyrich's intention regarding the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those relating to Flyrich, the terms and conditions of the Offer and Flyrich's intention regarding the Group) have been arrived at after due and careful consideration and there are no other facts (other than those relating to Flyrich, the terms and conditions of the Offer and Flyrich's intention regarding the Group) not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The information contained in this Composite Document relating to Flyrich, the terms and conditions of the Offer and Flyrich's intention regarding the Group, is supplied by Flyrich. The sole director of Flyrich accepts full responsibility for the accuracy of the information contained in this Composite Document relating to Flyrich, the terms and conditions of the Offer and Flyrich's intention regarding the Group and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document relating to Flyrich, the terms and conditions of the Offer and Flyrich's intention regarding the Group have been arrived at after due and careful consideration and there are no other facts relating to Flyrich, the terms and conditions of the Offer and Flyrich's intention regarding the Group not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

**DISCLOSURE OF INTERESTS****(a) Directors' interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations**

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO**

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person, other than a Director or chief executive of the Company, had any 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 is expected directly or indirectly to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group and the rights of each of such person's interest in such sections, together with particulars of any options, in respect of such capital:

**Long position in the Shares**

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding in the Company (%)</b>
Flyrich	Beneficial owner	204,000,000	44.30
Mr. Wong ( <i>Note 1</i> )	Interest of controlled corporation	204,000,000	44.30
Top Accurate Limited ( <i>Note 2</i> )	Beneficial owner	76,000,000	16.50

*Notes:*

(1) Flyrich is wholly owned by Mr. Wong.

(2) These Shares are owned by Top Accurate Limited, a company wholly and beneficially owned by Mr. Ma She Shing, Albert, who save for being a substantial Shareholder, is a third party independent of the Company and Flyrich and their connected persons as defined in the GEM Listing Rules and not Parties acting in concert with the Company and Flyrich and Parties acting in concert with them as defined in the Takeovers Code.

**(c) Other interests in the Company**

- (i) No person had irrevocably committed, in respect of his/her/its own shareholding in the Company, to accept or to reject the Offer as at the Latest Practicable Date.
- (ii) None of the Company's subsidiaries, pension fund of the Company or its subsidiaries or advisers to the Company as specified in class (2) of the definition of associates under the Takeovers Code but excluding exempt principal traders had any interest in the securities, convertible securities, warrants, options and derivatives of the Company as at the Latest Practicable Date nor had any of them dealt for value in such securities, convertible securities, warrants, options and derivatives during the period beginning six months prior to the date of the Announcement and up to the Latest Practicable Date.

- (iii) As at the Latest Practicable Date, no shares, convertible securities, warrants, options and derivatives of the Company were managed on a discretionary basis by fund managers connected with the Company.

**(d) Interests in Flyrich**

Neither the Company nor any of the Directors had any interest in the securities, convertible securities, warrants, options and derivatives of Flyrich as at the Latest Practicable Date nor had any of them dealt for value in such securities, convertible securities, warrants, options and derivatives of Flyrich during the period beginning six months prior to the date of the Announcement and up to the Latest Practicable Date.

**DEALINGS IN SECURITIES**

The following table sets out the dealings in the Shares by Flyrich during the six-month period prior to the date of the Announcement and up to the Latest Practicable Date.

Date	Purchaser	Vendor	No. of Shares transacted	Type of transaction	Price per Share (HK\$)
8 March 2006	Flyrich	Wise New	204,000,000 (Note 1)	Purchase of 204,000,000 Shares from Wise New (Note 1) by Flyrich	0.03

*Note:*

- These Shares were owned by Wise New, a company beneficially owned as to 45% by Cashtram, as to 30% by FXHI and as to 25% by Forge Smart. Mr. Ng, holds 40% and 100% equity interest in Cashtram and Forge Smart respectively. Mr. Ho Kai Chung, David, Madam Ho Pui Lai and Mr. Tan Yu, Wally respectively hold 30%, 20% and 10% equity interest in Cashtram. Mr. Wong Wai Shan holds 100% equity interest in FXHI.

On 20 June 2005, the 204,000,000 Shares held by Wise New were pledged in favour of Corkwood Enterprises Limited, a company incorporated in the British Virgin Islands and wholly and beneficially owned by Mr. Lau Kim Hung, Jack, who accordingly, had a long position in these 204,000,000 Shares under the SFO. The 204,000,000 Shares being pledged have been released upon completion of the Share Purchase.

Pursuant to the Takeovers Code, as the Offer is made through Kingston Securities, and INCU and Kingston Corporate Finance which are the financial advisors to Flyrich, each of Kingston Securities, INCU and Kingston Corporate Finance is deemed to be acting in concert with Flyrich for the purpose of the Offer. Neither Kingston Securities nor INCU nor Kingston Corporate Finance has dealt for value in Shares and other securities of the Company in the six-month period prior to the date of the Announcement and up to the Latest Practicable Date.

Save as disclosed above in this section headed "DEALING IN SECURITIES", Flyrich, the sole director of Flyrich and Parties acting in concert with Flyrich had no other dealings in the Shares and other securities of the Company in the six-month period prior to the date of the Announcement and up to the Latest Practicable Date.

Save for Mr. Ng who was involved in the Share Purchase, none of the Directors had dealt for value in Shares or other securities of the Company in the six-month period prior to the date of the Announcement and up to the Latest Practicable Date.

No fund managers connected with the Company had dealt for value in any securities, convertible securities, warrants, options and derivatives of the Company during the period beginning six months prior to the date of the Announcement and ending with the Latest Practicable Date.

#### MARKET PRICES

The table below shows the closing prices of the Shares as quoted on GEM on the last day on which trading took place in each of the six calendar months immediately preceding 8 March 2006, being the date of the Announcement, on 7 March 2006, being the Last Trading Day, and on the Latest Practicable Date:

	<b>HK\$ per Share</b>
30 September 2005	0.036
31 October 2005	0.024
30 November 2005	0.07
30 December 2005	0.114
27 January 2006	0.122
28 February 2006	0.160
7 March 2006 (being the Last Trading Day)	0.168
24 March 2006 (being the Latest Practicable Date)	0.11

The highest and lowest closing prices of the Shares as quoted on GEM during the period between 8 September 2005, being the date six months preceding the date of the Announcement, and the Latest Practicable Date are listed as below:

		<b>Periods with trading of Shares as quoted on GEM</b>
Highest closing price	HK\$0.188	on 7 December 2005
Lowest closing price	HK\$0.020	on 4 October 2005, 5 October 2005, 10 October 2005 and 27 October 2005

#### ARRANGEMENTS IN CONNECTION WITH THE OFFER

- (a) As at the Latest Practicable Date, there was no agreement, arrangement or understanding existing whereby any securities to be acquired pursuant to the Offer will be transferred, charged or pledged to any other persons, save for under the loan facility by Kingston Securities for the Offer, the Offer Shares to be acquired by Flyrich will be deposited to Kingston Securities from time to time as collateral for the loan facility.
- (b) As at the Latest Practicable Date, there was no agreement, arrangement or understanding existing between Flyrich or any Parties acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders which has connection with, is conditional on or dependent upon the outcome of the Offer.
- (c) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in note 8 to Rule 22 of the Takeovers Code with (i) the Company; (ii) any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code; (iii) Flyrich; or (iv) any Parties acting in concert with Flyrich.
- (d) As at the Latest Practicable Date, no agreements or arrangements to which Flyrich is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offer.

#### ARRANGEMENTS AFFECTING DIRECTORS

There is no benefit (other than statutory compensation) to be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

There is no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or is otherwise connected with the Offer.

There is no material contract entered into by the Offeror in which any Director has a material personal interest.



**SERVICE CONTRACTS**

Mr. Ng entered into service contracts with FX Creations International Limited, a subsidiary of the Company, for an initial term of three years commencing from 21 May 2002, which will continue thereafter until terminated by either party giving not less than three months' notice in writing. Mr. Ng was entitled to an annual salary of HK\$576,000 and an end of year bonus of HK\$17,500 for the year ended 31 March 2005.

Mr. Chan Francis Ping Kuen has entered into a letter of appointment with the Company for one year commencing from 1 February 2006, which may be terminated by either party giving not less than one month's notice in writing. Mr. Chan Francis Ping Kuen is entitled to a fixed emolument of HK\$120,000 per annum and a year-end discretionary bonus to be determined by the Board from time to time.

Save as disclosed above, none of the Directors has entered into any services contracts with the Company or any of its subsidiaries or associated companies in force.

- (i) which (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the commencement of the offer period;
- (ii) which are continuous contracts with a notices period of 12 months or more; or
- (iii) which are fixed term contracts with more than 12 months to run irrespective of the notices period.

**DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS**

No contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

None of the Directors has any direct or indirect interest in any assets which have been, since 31 March 2005 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**DIRECTORS' INTERESTS IN COMPETING BUSINESS**

None of the Directors or the management Shareholders and their respective associates has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interests which any such person has or may have with the Group pursuant to Rule 11.04 of the GEM Listing Rules.

**EXPERTS AND CONSENTS**

The following are the qualifications of the experts whose letters and reports (as the case may be) are contained in this Composite Document:

<b>Name</b>	<b>Qualifications</b>
INCU	a licensed corporation permitted to carry on business in type 6 (advising on corporate finance) regulated activity under the SFO
Kingston Corporate Finance	a licensed corporation permitted to carry on business in type 6 (advising on corporate finance) regulated activity under the SFO
Kingston Securities	a licensed corporation permitted to carry on business in type 1 (dealing in securities) regulated activity under the SFO
Partners Capital	a licensed corporation permitted to carry on business in types 1 and 6 (dealing in securities and advising on corporate finance) regulated activities under the SFO

Each of INCU, Kingston Corporate Finance, Kingston Securities and Partners Capital has given and has not withdrawn their written consents to the issue of this Composite Document with the inclusion of their respective expert's statements and the references to their respective names in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of INCU, Kingston Corporate Finance, Kingston Securities and Partners Capital was not interested beneficially or otherwise in any Shares or other securities in the Company or in any of the Company's subsidiaries or associated companies and did not have any right, whether legally enforceable or not, or option to subscribe for or to nominate persons to subscribe for any Shares or other securities in the Company or in any of the Company's subsidiaries or associated companies nor did they have any interest, either direct or indirect, in any assets which have been, since 31 March 2005 (the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

**LITIGATION**

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation of claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

**MATERIAL CONTRACT(S)**

On 21 November 2005, the Company has entered into a conditional placing agreement with Phoenix Capital Securities Limited in respect of the placing of 60,504,000 new Shares of the Company to not fewer than six places at the placing price of HK\$0.033 per placing share.

Save as disclosed above, no contract, not being a contract entered into in the ordinary course of business carried on by the Company or any of its subsidiaries, has been entered into by any member of the Group after the date two years prior to the date of Announcement and up to the Latest Practicable Date which is, or may be, material.

**MISCELLANEOUS**

- (a) The branch share registrar and transfer office of the Company in Hong Kong is Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (b) The registered office of the Company is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (c) The head office and principal place of business of the Company in Hong Kong is at Workshop A6, 12/F., Block A, Hong Kong Industrial Centre, 489-491 Castle Peak Road, Kowloon, Hong Kong.
- (d) The compliance officer of the Company is Mr. Ng. Mr. Ng is the executive Director and chairman of the Company.
- (e) The company secretary and qualified accountant of the Company is Mr. Chan Francis Ping Kuen. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and also a member of the Institute of Chartered Accountants in Australia.
- (f) The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three independent non-executive Directors, namely, Mr. Lee Kun Hung, Mr. Wong Hon Yan, Norman and Mr. Cheung Chi Hwa, Justin.

(g) Details of the Directors are as follows:

#### **Executive Directors**

Ng Pak To, Petto, aged 44, is the chairman, managing Director and one of the founders of the Group. Mr. Ng is responsible for the overall strategic planning, marketing and management functions of the Group. He holds a Higher Certificate in Business Study from the Hong Kong Polytechnic University and Graduate Diploma in Management Studies awarded by the Institute of Commercial Management United Kingdom. Mr. Ng has over ten years of experience in the sales and production functions for bags and has in-depth knowledge and experience of the bags industry. Prior to founding the Group, Mr. Ng worked as an executive sales director for a garment company. Mr. Ng is the husband of Madam Ho Pui Lai and the brother-in-law of Mr. Ho Kai Chung, David. Both of them are the senior management of the Group. Mr. Ng was appointed as a director of the Company in January 2002.

Ong Chor Wei, aged 36, is an executive Director. Mr. Ong is responsible for the financial management and finance functions of the Group. He graduated from London School of Economics and Political Science, University of London with a Bachelor of Laws Degree. He also holds a Master Degree in Business Administration jointly awarded by the University of Wales and University of Manchester. He is an associate member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in January 2002, he worked as a finance director for a manufacturer of bags and luggages. Mr. Ong is currently a non-executive director of MP Logistics International Holdings Limited, a company listed on GEM and Jets Technics International Holdings Limited, a company listed on the Singapore Exchange Securities Trading Limited. In addition, Mr. Ong was a non-executive director of Eagle Nice (International) Holdings Limited, a company listed on main board of the Stock Exchange, during the period from 2002 to 2005. Mr. Ong was appointed as a director of the Company in January 2002. He is also a director of various members of the Group.

Chan Man Yin, aged 48, was appointed as an executive Director with effect from 1 June 2005. He 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.

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 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 GEM. 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 GEM.

### **Independent non-executive Directors**

Lee Kun Hung, aged 39, was appointed as an independent non-executive Director with effect from 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 52, was appointed as an independent non-executive Director with effect from 20 June 2005. He has over 28 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. Mr. Wong is currently an independent non-executive director of IA International Holdings Limited.

Mr. Cheung Chi Hwa, Justin, aged 51, was appointed as an independent non-executive Director with effect from 4 July 2005. He holds a Bachelors 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.

- (h) The registered office of Flyrich is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

The principal members of the Flyrich's concert group include Flyrich and Mr. Wong who is the sole director and shareholder of Flyrich.

- (i) The registered office of Kingston Corporate Finance is at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (j) The registered office of INCU is at Unit 1602, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.

- (k) The registered office of Kingston Securities is at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (l) The registered office of Partners Capital is at Room 1305, 13th Floor, 9 Queen's Road Central, Hong Kong.
- (m) The English texts of this Composite Document and the accompanying form of acceptance and transfer shall prevail over their respective Chinese texts.

#### DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during 9:00 a.m. to 5:00 p.m. at the head office and principal place of business in Hong Kong of the Company at Workshop A6, 12/F., Block A, Hong Kong Industrial Centre, 489-491 Castle Peak Road, Kowloon, Hong Kong (ii) on the Company's website [www.fxcreations.com](http://www.fxcreations.com) and (iii) the website of the Securities and Futures Commission ([www.sfc.hk](http://www.sfc.hk)) from the date of this Composite Document up to and including the closing date of the Offer:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 22 of this Composite Document;
- (c) the letter of advice from Partners Capital to the Independent Board Committee, the text of which is set out on pages 23 to 41 of this Composite Document;
- (d) the letter from Kingston Securities, the text of which is set out on pages 13 to 21 of this Composite Document;
- (e) the letters of consent referred to in the paragraph headed "Experts and consents" in this Appendix;
- (f) the annual reports of the Company for the two years ended 31 March 2005;
- (g) the interim report of the Company for the six months ended 30 September 2005;
- (h) the third quarterly report of the Company for the nine months ended 31 December 2005;
- (i) the agreement dated 21 November 2005 between the Company and Phoenix Capital Securities Limited in respect of placing new shares as disclosed under the paragraph headed "Material Contracts" in this Appendix;
- (j) the Form of Acceptance;

- (k) the Sale and Purchase Agreement;
- (l) the service agreements referred to in the paragraph headed "Service contracts" in this Appendix; and
- (m) the loan agreement entered into between Flyrich and Kingston Securities dated 8 March 2006 in relation to the loan facility of HK\$7,700,000 for the Offer.