



1. GROUP REORGANISATION AND BASIS OF PREPARATION

- (a) The Company was incorporated in the Cayman Islands on 12th April, 2002 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”).
- (b) On 17th February, 2003, pursuant to a group reorganisation (the “Reorganisation”) in preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the ultimate holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the section “Corporate reorganisation” in Appendix V to the prospectus of the Company dated 28th February, 2003. The shares of the Company were listed on the Stock Exchange on 12th March, 2003.
- (c) The Reorganisation is accounted for using merger accounting as permitted by the Hong Kong Statement of Standard Accounting Practice (“SSAP”) 2.127 “Accounting for group reconstructions” issued by the Hong Kong Society of Accountants (“HKSA”). The consolidated accounts of the Group for the year ended 31st March, 2003, including the comparative figures, are prepared as if the Company had been the holding company of the Group from the beginning of the earliest period presented.
- (d) No balance sheet of the Company at 31st March, 2002 is presented in the accounts, as the Company was not yet incorporated on that date.
- (e) The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the HKSA. They have been prepared under the historical cost convention.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Group accounting

(i) Consolidation

The Reorganisation referred to in note 1 above has been accounted for using merger accounting by regarding the Company as being the holding company of the Group from the beginning of the earliest period presented.



2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Group accounting (Continued)

(i) Consolidation (Continued)

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. Apart from the Reorganisation referred to in note 1 above, 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.

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 majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

All significant intercompany 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 negative 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.

(ii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. All exchange differences are dealt with as a movement in reserves. Upon disposal of an overseas subsidiary, the related cumulated exchange difference is included in the profit and loss account as part of the gain or loss on disposal.



2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of fixed assets is calculated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives using reducing balance method. The principal annual rates are as follows:

Leasehold improvements	Shorter of expected useful life or over the unexpired period of the leases
Plant and machinery	30%
Furniture and fixtures	20%
Motor vehicles	30%

Major costs incurred in restoring fixed assets to their normal working conditions are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(c) Operating leases

Leases where substantially all the risk and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the lessor, are charged to the profit and loss account on a straight-line over the lease periods.

(d) Inventories

Inventories comprise stocks and work-in-progress and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises raw materials, direct labour, subcontracting costs and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.



2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(f) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(g) 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.

(h) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Retirement costs*

Contributions to defined contribution retirement scheme are charged to the profit and loss account as and when incurred. The assets of the scheme are held separately from those of the Group in independently administered funds.

(i) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.



2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(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 events 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 accounts. When a change in the probability of an outflow occurs so that the outflow becomes probable, it 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 accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(k) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(l) Segment reporting

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

Unallocated costs represent corporate expenses. Segment assets consist primarily of plant and machinery, inventories, and trade receivables. Segment liabilities comprise trading liabilities and exclude items such as taxation and corporate liabilities. Capital expenditure comprises additions to fixed assets.

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



3. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in manufacturing and trading of leather accessories. Revenues recognised during the year are as follows:

	2003 HK\$'000	2002 HK\$'000
Turnover		
Sales of goods	154,428	150,388
Other revenue		
Interest income	302	274
Total revenues	154,730	150,662



3. TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format — business segments

	Belts HK\$'000	Small leather goods HK\$'000	Leather HK\$'000	Unallocated HK\$'000	Group HK\$'000
Year ended 31st March, 2003					
Turnover	147,788	4,850	1,790	—	154,428
Results					
Segment results	47,116	2,110	421	—	49,647
Unallocated revenue					302
Unallocated costs					(11,877)
Profit before taxation					38,072
Taxation					(3,065)
Profit attributable to shareholders					35,007
At 31st March, 2003					
Assets					
Segment assets	33,453	168	—	—	33,621
Unallocated assets					61,607
Total assets					95,228
Liabilities					
Segment liabilities	4,415	—	—	—	4,415
Unallocated liabilities					4,518
Total liabilities					8,933
Other information					
Capital expenditure	2,544	—	—	4,243	6,787
Depreciation	621	—	—	798	1,419



3. TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format — business segments (Continued)

	Belts HK\$'000	Small leather goods HK\$'000	Leather HK\$'000	Unallocated HK\$'000	Group HK\$'000
Year ended 31st March, 2002					
Turnover	148,617	847	924	—	150,388
Results					
Segment results	54,326	400	252	—	54,978
Unallocated revenue					274
Unallocated costs					(9,650)
Profit before taxation					45,602
Taxation					(3,854)
Profit attributable to shareholders					41,748
At 31st March, 2002					
Assets					
Segment assets	24,054	—	—	—	24,054
Unallocated assets					32,658
Total assets					56,712
Liabilities					
Segment liabilities	6,396	—	—	—	6,396
Unallocated liabilities					8,963
Total liabilities					15,359
Other information					
Capital expenditure	555	—	—	169	724
Depreciation	324	—	—	483	807



3. TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Secondary reporting format — geographical segments

	Year ended 31st March, 2003		
	Turnover HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Japan	86,564	—	—
Europe	24,470	—	—
The United States of America ("The US")	21,553	—	—
Hong Kong	14,998	76,969	411
The People's Republic of China, other than Hong Kong ("The PRC")	344	18,259	6,376
Others	6,499	—	—
	154,428	95,228	6,787

	Year ended 31st March, 2002		
	Turnover HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Japan	92,973	—	—
Europe	17,620	—	—
The US	18,347	—	—
Hong Kong	18,663	47,703	166
The PRC	—	9,009	558
Others	2,785	—	—
	150,388	56,712	724

Sales are based on the countries in which the customers located. There are no sales between the segments.



4. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Auditors' remuneration	600	500
Cost of inventories sold		
— material costs	79,315	76,156
— production overheads	20,809	15,584
Depreciation of fixed assets	1,419	807
Loss on disposal of fixed assets	43	—
Operating lease rentals in respect of land and buildings	2,862	1,028
Provision for bad debts	9	202
Provision for obsolete inventories	122	286
Staff costs excluding directors' emoluments (note 9)	5,270	3,909

5. TAXATION

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

	Group	
	2003	2002
	HK\$'000	HK\$'000
Current taxation		
— Hong Kong profits tax	2,980	3,706
— (Over)/under provisions in prior years	(42)	52
Deferred taxation (note 23)	127	96
	3,065	3,854

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profit for the year.

No provision for the PRC income tax has been made in the accounts as the Group has no assessable income during the year (2002: Nil).

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders for the period from 12th April, 2002 (date of incorporation) to 31st March, 2003 is dealt with in the accounts of the Company to the extent of HK\$12,987,000.



7. DIVIDENDS

	2003 HK\$'000	2002 HK\$'000
Final, proposed, of HK\$0.04 (2002: Nil) per ordinary share (note (a))	12,577	—
Interim dividends, paid by a subsidiary to its then shareholders prior to the Reorganisation (note (b))	21,000	21,000
	33,577	21,000

- (a) At a board meeting held on 18th July, 2003, the directors proposed a final dividend of HK\$0.04 per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st March, 2004.

The amount of proposed final dividend is based on 314,424,000 shares in issue at 18th July, 2003.

- (b) The rate of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of this accounts.

8. EARNINGS PER SHARE

The calculation of basic earnings per share are based on the Group's profit attributable to shareholders of approximately HK\$35,007,000 and the weighted average of 245,961,589 ordinary shares in issue during the year.

The basic earnings per share for 31st March, 2002 is based on the Group's profit attributable to shareholders of HK\$41,748,000 and an aggregate of 242,004,000 shares comprising (i) 1,000 shares issued upon incorporation of the Company, (ii) 999,000 shares issued upon completion of the Reorganisation (note 20(c)) and (iii) 241,004,000 shares issued pursuant to the Capitalisation Issue (note 20(e)), which were deemed to have been in issue throughout the year ended 31st March, 2002.

Diluted earnings per share was not disclosed as there were no dilutive instruments at 31st March, 2003.



9. STAFF COSTS

	2003 HK\$'000	2002 HK\$'000
Staff costs which exclude directors' emoluments		
Wages, salaries and allowances	5,030	3,746
Retirement benefit costs — defined contribution scheme (see notes below)	240	163
	5,270	3,909

Note: The Group did not operate any retirement scheme for its Hong Kong employees up to 30th November, 2000. With effect from 1st December, 2000, a mandatory provident fund ("MPF") scheme has been set up which is available to all employees in Hong Kong including executive directors. Under the rules of MPF scheme, the employer and its employees in Hong Kong are each required to contribute 5% of employees' salaries with a ceiling of HK\$1,000 per month to the MPF scheme. The only obligation of the Group with respect to the MPF scheme is to make required contributions under the scheme. The assets of the MPF scheme are held separately from those of the Group in independently administered funds.

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid and payable by the Group to directors of the Company during the year are as follows:

	2003 HK\$'000	2002 HK\$'000
Fees	8	—
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	1,518	1,452
Bonuses	—	—
Retirement benefit costs	60	36
	1,586	1,488

Directors' emoluments disclosed above include HK\$8,000 (2002: Nil) paid to independent non-executive directors.

The emoluments received by each of the three executive directors were below HK\$1,000,000 for each of the two years ended 31st March, 2003.



10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2002: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2002: two) individuals during the year are as follows:

	2003 HK\$'000	2002 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	653	767
Bonuses	15	15
Retirement benefit costs	24	12
	692	794

The emoluments of employees were below HK\$1,000,000 for each of the two years ended 31st March, 2003.

- (c) During the year, no emoluments (2002: Nil) have been paid by the Group to the directors or any of the five highest individuals as an inducement to join or upon joining the Group or as compensation for loss of office.



11. FIXED ASSETS

	Plant and machinery	Furniture and fixtures	Leasehold improvements	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost					
At 1st April, 2002	1,714	1,299	922	480	4,415
Additions	2,544	1,453	2,790	—	6,787
Disposals	—	—	(68)	(30)	(98)
At 31st March, 2003	4,258	2,752	3,644	450	11,104
Accumulated depreciation					
At 1st April, 2002	956	719	377	256	2,308
Charge for the year	621	403	328	67	1,419
Disposals	—	—	(28)	(27)	(55)
At 31st March, 2003	1,577	1,122	677	296	3,672
Net book value					
At 31st March, 2003	2,681	1,630	2,967	154	7,432
At 31st March, 2002	758	580	545	224	2,107

12. INVENTORIES

	2003 HK\$'000	2002 HK\$'000
Raw materials	16,498	10,933
Work in progress	1,872	1,430
Finished goods	415	147
	18,785	12,510

At 31st March, 2003 and 2002, all the inventories were carried at cost.



13. INVESTMENTS IN SUBSIDIARIES

	2003 HK\$'000
Investment at cost:	
Unlisted shares	48,181

The following is a list of the subsidiaries at 31st March, 2003:

Name	Place of incorporation and form of legal entity	Principal activities and place of operation	Particulars of issued share capital and registered capital	Interest held
Directly held:				
Chanco International Holding Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	Ordinary shares US\$1,000	100%
Indirectly held:				
Sun Ray Manufactory, Limited	Hong Kong, limited liability company	Manufacturing and trading of leather accessories in Hong Kong	Non-voting deferred shares HK\$6 Ordinary shares HK\$2	100%
Elite Leatherware Company Limited	Hong Kong, limited liability company	Trading of leather accessories in Hong Kong	Ordinary shares HK\$10,000	100%
Talent Union Development Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	Ordinary shares US\$8	100%
Dongguan Ngai Luen Leather Goods Company Limited	The PRC, wholly foreign owned enterprise with limited liability	Manufacturing and trading of leather accessories in the PRC	Registered capital HK\$2,000,000	100%



14. TRADE RECEIVABLES

Customers are generally granted with credit terms of 30 to 90 days. Longer payment terms might grant to those customers which have good payment history and long-term business relationship with the Group. Details of the ageing analysis are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Current to 30 days	10,078	8,630
31–60 days	1,394	532
61–90 days	340	1,135
91–120 days	12	261
121–365 days	331	229
	12,155	10,787

15. AMOUNTS DUE FROM SUBSIDIARIES

The amounts are unsecured, interest-free and have no fixed terms of repayment.

16. AMOUNTS DUE FROM SHAREHOLDERS

Particulars of amounts due from shareholders are as follows:

Name of shareholders	Maximum amount outstanding during the year HK\$'000	2003	2002
		HK\$'000	HK\$'000
Leopark Worldwide Inc. (note (a) & (b))	420	420	—
New Paramount Profit Limited (note (a) & (c))	489	489	—
	909	909	—

- (a) The amounts due from shareholders were unsecured, interest-free and had no fixed terms of repayment. The amounts had been settled subsequent to 31st March, 2003. No provision is made for the amounts due from shareholders.



16. AMOUNTS DUE FROM SHAREHOLDERS (Continued)

- (b) A director of the Company, Mr. Chan King Hong Edwin, has beneficial interests in Leopard Worldwide Inc.
- (c) A director of the Company, Mr. Chan King Yuen Stanley, has beneficial interests in New Paramount Profits Limited.

17. BANK BALANCES AND CASH

Included in the balance of the group is an amount of approximately HK\$668,000 (2002: Nil) denominated in Renminbi in the PRC. The conversion of these Renminbi dominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

18. TRADE PAYABLES

Details of the ageing analysis are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Current to 30 days	3,201	4,273
31–60 days	1,152	1,294
61–90 days	10	580
Over 90 days	52	249
	4,415	6,396

19. AMOUNTS DUE TO DIRECTORS

The amounts were unsecured, interest-free and repaid during the year.

20. SHARE CAPITAL

	Company
	2003 HK\$'000
Authorised: 2,000,000,000 ordinary shares of HK\$0.01 each	20,000
Issued and fully paid: 307,664,000 ordinary shares of HK\$0.01 each	3,077



20. SHARE CAPITAL (Continued)

- (a) The Company was incorporated in the Cayman Islands on 12th April, 2002 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.
- (b) On 2nd May, 2002, 1,000 shares of HK\$0.01 each were allotted and issued as nil-paid.
- (c) On 17th February, 2003, the Company acquired the entire issued capital of Chanco International Holding Limited ("Chanco") and in consideration thereof (i) an aggregate of 999,000 shares of HK\$0.01 each, credited as fully paid, were allotted and issued to then shareholders of Chanco; and (ii) the aggregate of 1,000 shares allotted and issued as nil-paid were credited as fully-paid up at par (note 20(b)).
- (d) On 18th February, 2003, the authorised share capital of the Company was increase to HK\$20,000,000 by creation of an additional 1,962,000,000 shares of HK\$0.01 each.
- (e) On 18th February, 2003, 241,004,000 shares of HK\$0.01 each were allotted and issued at par, credited as fully paid to the then shareholders in proportion to their respective shareholding on the register of members of the Company at the date of business on 17th February, 2003 by way of the capitalisation of the share premium account of the Company (the "Capitalisation Issue").
- (f) On 19th March, 2003, 65,660,000 shares of HK\$0.01 each were issued to the public at HK\$0.6 each for cash totaling HK\$39,396,000. The excess over the par value of the shares issued was credited to the share premium account.
- (g) The comparative figures of the Group for the previous year represents the combined total of the issued share capital of the companies comprising the Group as at 31st March, 2002 prior to the Reorganisation.

21. SHARE OPTIONS

- (a) Under the share option scheme (the "Share Options Scheme") approved by the shareholders on 18th February, 2003, the directors of the Company may, at its discretion, invite non-executive directors, employees, suppliers of goods or services, customers, consultants and advisors of the Group or any entity in which any member of the Group holds any equity interest to take up options to subscribe for shares in the Company representing up to a maximum of 30 per cent of the issued share capital of the Company from time to time.

The subscription price for the shares in relation to options to be granted under the Share Option Scheme shall be determined by the board and shall be at least the highest of (i) the nominal value of the shares of the Company; (ii) the closing price of the shares on the date of grant (the "Offer Date"); and (iii) the average closing price of the shares for the five business days immediately preceding the Offer Date. The options are exercisable within 10 years from the Offer Date.

No share option has been granted under the Share Option Scheme for the year ended 31st March, 2003.



21. SHARE OPTIONS (Continued)

- (b) On 26th May, 2003, the directors granted options to certain employees and consultants of the Group to subscribe for an aggregate of 14,352,000 shares of the Company, with an exercise price calculated in accordance with the provisions of the Share Option Scheme at HK\$0.58 per share.

On 19th June, 2003, share options exercised resulted in 6,760,000 shares being issued at HK\$0.58 each yielding the following proceeds:

	HK\$'000
Ordinary share capital — at par	68
Share premium	3,853
<hr/>	
Proceeds	3,921
<hr/>	
Fair value of shares issued at exercise date of 19th June, 2003	4,867

At the date when the options were exercised on 19th June, 2003, the closing price per share was HK\$0.72.

22. RESERVES

	Note	Share premium HK\$'000	Group Share issuance costs HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st April, 2002		—	(1,610)	42,953	41,343
Profit attributable to shareholders		—	—	35,007	35,007
Interim dividends, paid by a subsidiary before Reorganisation	7	—	—	(21,000)	(21,000)
Capitalisation Issue	20(e)	(2,410)	—	—	(2,410)
Premium on issue of shares upon placing and public offer	20(f)	38,739	—	—	38,739
Share issuance costs		—	(8,461)	—	(8,461)
Transfers		(10,071)	10,071	—	—
<hr/>					
At 31st March, 2003		26,258	—	56,960	83,218
<hr/>					
Representing:—					
Reserves					70,641
2003 final dividend proposed					12,577
<hr/>					
					83,218
<hr/>					



22. RESERVES (Continued)

	Note	Share premium HK\$'000	Group Share issuance costs HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st April, 2001		—	—	22,205	22,205
Profit attributable to shareholders		—	—	41,748	41,748
Interim dividends, paid by a subsidiary before Reorganisation	7	—	—	(21,000)	(21,000)
Share issuance costs		—	(1,610)	—	(1,610)
At 31st March, 2002		—	(1,610)	42,953	41,343
Representing:—					
Reserves					41,343

	Note	Share premium HK\$'000	Company Share issuance costs HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At incorporation 12th April, 2002		—	(1,610)	—	(1,610)
Profit for the period from 12th April, 2002 (date of incorporation) to 31st March, 2003		—	—	12,987	12,987
Surplus on Reorganisation	22(a)	48,171	—	—	48,171
Capitalisation Issue	20(e)	(2,410)	—	—	(2,410)
Premium on issue of shares upon placing and public offer	20(f)	38,739	—	—	38,739
Share issuance costs		—	(8,461)	—	(8,461)
Transfers		(10,071)	10,071	—	—
At 31st March, 2003		74,429	—	12,987	87,416
Representing:—					
Reserves					74,839
2003 Final dividend proposed					12,577
					87,416

- (a) Surplus on Reorganisation represents the difference between the par value of the Company's shares issued in exchange for the aggregate net assets value of the subsidiaries acquired at the time of the Reorganisation. Under the Companies Law, the share premium is available for distribution to shareholders, subject to the provisions of the Articles of Association of the Company and no distribution or dividend may be paid to the shareholders out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in ordinary course of business.



23. DEFERRED TAXATION

The movement on the deferred tax liabilities account is as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
At the beginning of the year	96	—
Charged to the consolidated profit and loss account (note 5)	127	96
At the end of the year	223	96
Provided in the accounts in respect of:		
Accelerated depreciation allowances	223	96

At 31st March, 2003, the Group and the Company have no significant unprovided deferred taxation (2002: Nil).

24. CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of consolidated profit before taxation to net cash inflow from operating activities

	2003	2002
	HK\$'000	HK\$'000
Profit before taxation	38,072	45,602
Interest income	(302)	(274)
Depreciation charges	1,419	807
Loss on disposal of fixed assets	43	—
(Increase)/decrease in inventories	(6,275)	7,883
Increase in trade and other receivables, deposits and prepayments	(2,489)	(1,526)
Increase in amounts due from shareholders	(909)	—
(Decrease)/increase in amounts due to directors	(3,038)	2,399
Decrease in trade and other payables, and accrued charges	(1,182)	(1,757)
Decrease in amount due to a related company	—	(1,275)
Net cash inflow generated from operations	25,339	51,859



24. CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Share capital including share premium and share issuance costs	
	2003 HK\$'000	2002 HK\$'000
At the beginning of the year	(1,610)	—
Non-cash flow items:		
Issue of shares upon incorporation and Reorganisation (note 20(c))	10	—
Cash flow items:		
Issue of shares upon placing and public offer (note 20(f))	39,396	—
Share issuance costs	(8,461)	(1,610)
	<hr/>	<hr/>
At the end of the year	29,335	(1,610)

25. CONTINGENT LIABILITIES

The Group and the Company had no material contingent liabilities at 31st March, 2003 (2002: Nil).

26. COMMITMENTS

(a) Capital commitments

	Group	
	2003 HK\$'000	2002 HK\$'000
Contracted but not provided for		
Capital contribution in a subsidiary	—	2,000
Fixed assets	113	1,024
	<hr/>	<hr/>
	113	3,024
Authorised but not contracted for		
Fixed assets	—	1,113
	<hr/>	<hr/>
	113	4,137



26. COMMITMENTS (Continued)

(b) Commitments under operating leases

At 31st March, 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases for land and buildings as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Not later than one year	3,462	360
Later than one year and not later than five years	260	260
Later than five years	—	—
	3,722	620

At 31st March, 2003, the Company has no capital and operating lease commitments.

27. BANKING FACILITIES

At 31st March, 2003, the banking facilities of HK\$8 million provided by two banks to the Group were supported by the following:

- (a) HK\$5 million of the facilities were guaranteed by the executive directors of the Company, Mr. Chan King Hong Edwin, Mr. Chan King Yuen Stanley and Ms. Chan Wai Po Rebecca, jointly and severally and were secured by bank deposits of HK\$3.7 million given by certain executive directors of the Company Mr. Chan King Hong Edwin, Mr. Chan King Yuen Stanley, and a substantial shareholder, Mr. Chan Woon Man, and his wife, Ms. Tsang Sau Lin. Mr. Chan Woon Man and Ms. Tsang Sau Lin are parents of Mr. Chan King Hong Edwin, Mr. Chan King Yuen Stanley and Ms. Chan Wai Po Rebecca.
- (b) HK\$3 million of the facilities were secured by bank deposits of HK\$3.3 million given by certain executive directors of the Company, Mr. Chan King Hong Edwin and Mr. Chan King Yuen Stanley.

In June 2003, the Group agreed with its banks that the secured deposits as mentioned above and personal guarantees from the executive directors were replaced by corporate guarantee provided by the Company.



28. RELATED PARTY TRANSACTIONS

Save as disclosed in other notes to the accounts, other significant related party transactions which were carried out are as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Rental expenses paid to Charter Score International Limited for directors' quarters (note (a))	—	75
Mr. Chan Woon Man and Ms. Tsang Sau Lin for the office premises (note (b))	220	—

- (a) The rental expenses were paid for executive directors' quarters and have been included as part of the directors' emoluments (note 10). The executive directors were interested in the above transactions to the extent that the executive directors and Mr. Chan Woon Man hold the entire interests of Charter Score International Limited. The directors are of the opinion that the above transactions were conducted in the ordinary course of business.
- (b) The Group has occupied a property owned by Mr. Chan Woon Man and Ms. Tsang Sau Lin. No rental had been paid by the Group to the landlords of the property before 30th April, 2002. Pursuant to a tenancy agreement dated 30th April, 2002 between the landlords and Sun Ray Manufactory, Limited, the Group leases the property at a monthly rental of HK\$20,000 commencing on 1st May, 2002. The directors are of the opinion that the leasing transactions are conducted in the ordinary course of business.

29. SUBSEQUENT EVENTS

Save as disclosed in notes 7(a) and 21(b), the Group did not have any significant events which took place subsequent to the balance sheet date.

30. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 18th July, 2003.