NOTES TO FINANCIAL STATEMENTS

31 March 2003

1. GROUP REORGANISATION

Grandtop International Holdings Limited (the "Company") was incorporated in the Cayman Islands on 21 June 2002 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 November 2002, the Company became the holding company of the companies now comprising the Group on 22 October 2002 (the "Group Reorganisation"). This was accomplished by acquiring the entire issued share capital of Sun Ace Group Limited ("Sun Ace"), the then holding company of the subsidiaries listed out in note 17 to the financial statements, in consideration of and in exchange for the allotment and issue of 10,000,000 ordinary shares of HK$0.01 each in the share capital of the Company, credited as fully paid, to the former shareholders of Sun Ace. Further details of the Group Reorganisation are set out in Appendix 6 of the Company's prospectus dated 30 October 2002.

2. BASIS OF PRESENTATION

The Group Reorganisation has been accounted for as a reorganisation of companies under common control. The Company together with its subsidiaries (the "Group") are regarded and accounted for as a continuing group. Accordingly the consolidated financial statements have been prepared on the basis of merger accounting in accordance with Statement of Standard Accounting Practice ("SSAP") No. 2.127 "Accounting for Group Reconstructions." On this basis, the Company is treated as the holding company of the Group throughout the years presented rather than from the subsequent date of acquisition of its present subsidiaries on 22 October 2002. The consolidated financial statements of the Group for the years ended 31 March 2002 and 2003 include the results of the Company and its subsidiaries with effect from 1 April 2001 or since their respective dates of incorporation where this is a shorter period. The consolidated balance sheets as at 31 March 2002 have been prepared on the basis as if the current structure of the Group had been in existence at that date. All significant intra-group transactions have been eliminated on consolidation.

3. CORPORATE INFORMATION

The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 17 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

4. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAP")

In the current year, the Group adopted the following new and revised SSAPs which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	Presentation of financial statements
SSAP 15 (revised)	Cash flow statements
SSAP 34	Employee benefits

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs, which have had a significant effect on the financial statements, are summarised as follows:

SSAP 1 (revised) prescribed the basis for presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The consolidated statement of changes in equity for the current financial year and the comparative figures has been presented in accordance with the revised SSAP.

SSAP 15 (revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised.

SSAP 34 prescribed the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits. In addition, disclosures are required in respect of the Company's share option scheme.

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable SSAPs and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

(a) Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost.

(b) Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of the board of directors or the Company has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from their activities. In the Company's balance sheet, investments in subsidiaries are stated at cost less any provision for impairment loss.

(c) Fixed assets and depreciation

An item of fixed assets is recognised as an asset when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset to the Group can be measured reliably.

Fixed assets are stated at cost less accumulated depreciation and impairment. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Depreciation is provided on the straight-line method so as to write down the cost of fixed assets to their estimated realisable value over their anticipated useful lives at the following annual rates:

Leasehold Land	:	Over the unexpired terms of respective leases
Buildings	:	2.5%
Leasehold Improvements	:	20%
Office Equipment	:	20%
Furniture and Fixtures	:	20%
Motor Vehicles	:	20%

Gains or losses arising from the retirement or disposal of a fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Current assets and liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

(e) Translation of foreign currencies

Transactions in foreign currencies during the year are translated into Hong Kong dollars at rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Hong Kong dollars at rates of exchange ruling at the balance sheet date. All gains and losses on translation of foreign currencies are dealt with in the income statement.

(f) Leased assets

Assets held under finance leases have been capitalised. The interest element of the rental payments is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Depreciation is provided in accordance with the Group's depreciation policies.

(g) 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 exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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/amortisation), 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, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed.

Deferred taxation is provided on material timing differences, using the liability method, to the extent that there is a reasonable probability that a liability will arise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

(i) Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

(j) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits are recognised when, and only when, the company demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(iii) The Group has a defined contribution retirement benefits scheme (the "Scheme") for its qualified employees, which was registered under the Occupational Retirement Scheme Ordinance (Chapter 426 of Laws of Hong Kong) and exempted from registration requirements of Section 5 of the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Contributions are made based on a percentage of the employees' basic salaries and are charged to the combined income statement as they become payable in accordance with rules of the Scheme. The assets of the 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 into the 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 Scheme.

(iv) When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Textile quota entitlement

Permanent textile quota entitlements allocated by the Trade and Industry Department of Hong Kong are not capitalised in the consolidated balance sheet. Purchased textile quota entitlements are recognised at costs and are amortised on straight-line basis over three years.

(l) Recognition of revenue

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) Revenue derived from the provision of marketing and compliance monitoring services is recognised when services are performed and upon each shipment made by the Group's Hong Kong garment and fashion manufacturing clients to the US buyers;

(ii) Revenue derived from the provision of sales support services is recognised when services are performed and upon each shipment made by the Group's Hong Kong garment and fashion manufacturing clients to the US;

(iii) interest income is recognised on a time-apportioned basis taking into account the principal outstanding and the effective interest rate applicable; and

(iv) dividend income from investment in securities is recognised when the shareholder's right to receive payment is established.

(m) Investments in securities

Investment securities

Investments held on a continuing basis for an identified long-term purpose with no significant influence exercised by the Group are classified as investment securities. Investment securities are recognised on a trade-date basis and are stated in the balance sheet at cost less any provision for diminution in value which is expected to be other than temporary. The amounts of provision or any profits or losses arising from sale of investment securities are accounted for in the income statement.

Trading securities

Trading securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities are recognised in the income statement. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the income statement as they arise.

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Cash equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(o) Intangible assets

Intangible assets represent development costs for the Group's CSR System, which are stated at cost less any impairment losses.

Expenditure incurred on development of CSR System are recognised as an intangible asset where the technical feasibility and intention of completing the CSR System under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over their estimated useful lives of 10 years from the date on which the CSR System commences operations to reflect the pattern in which the related economic benefits are recognised. Development cost that do not meet that above criteria are expensed as incurred. Development costs previously recognised as expenses are not recognised as an asset in subsequent period.

(p) 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 financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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.

(r) Related party transactions

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

6. SEGMENT INFORMATION

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has determined that business segment as the primary reporting because this is more relevant to the Group in making operating and financial decisions.

In determining the Group's geographical segment, revenues and results are based on the country in which the customer is located.

Analysis of assets and liabilities by business segment and by geographical segment have not been prepared as most of the Group's assets and liabilities were unable to be allocated in view of the nature of the Group's business.

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

6. SEGMENT INFORMATION (continued)

(i) Business segment

	Marketing and compliance monitoring services HK$'000	Sales support services HK$'000	Total HK$'000
For the year ended 31 March 2003			
Sales	29,607	5,162	34,769
Net profit	23,283	1,401	24,684
Net profit contribution	94%	6%	100%
For the year ended 31 March 2002			
Sales	23,389	4,282	27,671
Net profit	20,175	1,192	21,367
Net profit contribution	94%	6%	100%

(ii) Geographical segment

Throughout the year, all of the Group's services were provided in a single geographical segment, to Hong Kong garment and fashion manufacturers.

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

7. TURNOVER AND REVENUE

An analysis of the Group's turnover and other revenue is as follows:

	2003 HK$'000	2002 HK$'000
Turnover:		
Provision of sales support services	5,162	4,282
Provision of marketing and compliance monitoring services	29,607	23,389
	34,769	27,671
Other revenue:		
Interest income	60	67
Dividend income from listed investment securities	56	–
Sundry income	21	–
	137	67
Total revenue	34,906	27,738

8. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging:

	2003 HK$'000	2002 HK$'000
Staff costs (excluding directors' remuneration):		
Wages and salaries	1,092	476
Retirement benefits contributions	128	70
	1,220	546
Auditors' remuneration	500	200
Depreciation of owned fixed assets	847	134
Amortisation of intangible assets*	113	–
Operating lease rental in respect of land and buildings	260	497

* The amortisation of intangible assets is included in "Selling Expenses" on the face of the consolidated income statement.

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

9. FINANCE COSTS

	2003 HK$'000	2002 HK$'000
Interest expenses on:		
Mortgage loan not wholly repayable within five years	**31**	–
Bank charges	**1**	2
	32	2

10. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance is as follows:

	2003 HK$'000	2002 HK$'000
Fees	**100**	–
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**1,460**	1,444
Discretionary bonuses	**–**	–
Provident fund scheme contribution	**29**	10
	1,589	1,454

Included in the directors' remuneration were fees of HK$100,000 (2002: HK$Nil) paid to independent non-executive directors during the year.

The remuneration of all of the directors fell within the nil to HK$1,000,000 band for both years.

There was no arrangement under which a director waived or agreed to waived any emoluments during the year.

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

11. EMPLOYEES' REMUNERATION

Of the five individuals with highest emoluments of the Group, three (2002: two) were directors of the Company, whose emoluments are set out in note 10 above. The emoluments of the remaining two (2002: three) individuals were as follows:

	2003	2002
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**554**	265
Discretionary bonuses	**–**	–
Contributions to retirement benefits scheme	**70**	20
	624	285

The aggregated emoluments of each of these remaining two (2002: three) highest paid individuals fell within the nil to HK$1,000,000 band for both years.

During the year, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. TAXATION

Hong Kong profits tax has been provided at a rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong for the year ended 31 March 2003:

	2003	2002
	HK$'000	HK$'000
Hong Kong profits tax paid		
– current	**60**	76
– overprovision in previous year	**(41)**	–
	19	76
– deferred (Note 26)	**100**	–
	119	76

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

13. DIVIDENDS

	2003	2002
	HK$'000	HK$'000
Special dividend paid (Note (i))	6,000	18,000
Interim dividend declared and paid	3,600	–
	9,600	18,000

Note:

(i) The special dividend for the year ended 31 March 2003 was paid on 31 July 2002 and represents special dividend paid by the relevant subsidiaries of the Group to its then shareholders prior to the Group Reorganisation as explained in note 1 to the financial statements, which was completed on 22 October 2002.

(ii) The Board of Directors do not recommend the payment of a final dividend for the year ended 31 March 2003 (2002: Nil).

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year ended 31 March 2003 of HK$24,684,000 (2002: HK$21,367,000) and the weighted average of 219,000,000 (2002: 204,000,000) ordinary shares in issue during the year.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 March 2002 included the pro forma issued share capital of the Company on the basis as if the Group restructuring had been completed, comprising an aggregated of 10,000,000 ordinary shares nil paid upon incorporation of the Company and issued on 3 July 2002 and 22 October 2002, 10,000,000 ordinary shares issued for the acquisition of Sun Ace and the capitalisation issue of 184,000,000 ordinary shares, as set out in detail in note 27 to the financial statements.

There were no potential dilutive shares in existence for the two years ended 31 March 2003 and, accordingly, no diluted earnings per share has been presented.

15. PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the period from 21 June 2002 (date of incorporation) to 31 March 2003 was approximately HK$9,589,000.

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

16. FIXED ASSETS

The Group

	Land and Buildings HK$'000	Leasehold Improvements HK$'000	Furniture and Fixtures HK$'000	Office Equipment HK$'000	Motor Vehicles HK$'000	Total HK$'000
Cost						
As at 1 April 2002	–	–	318	336	753	1,407
Additions	14,130	620	312	345	–	15,407
As at 31 March 2003	**14,130**	**620**	**630**	**681**	**753**	**16,814**
Accumulated depreciation:						
As at 1 April 2002	–	–	307	220	449	967
Charge for the year	489	64	61	82	151	847
As at 31 March 2003	**489**	**64**	**368**	**302**	**600**	**1,823**
Net book value:						
As at 31 March 2003	**13,641**	**556**	**262**	**379**	**153**	**14,991**
As at 31 March 2002	–	–	11	116	304	431

At 31 March 2003, all of the Group's land and buildings are situated in Hong Kong under long-term leases.

The Group's leasehold land and building, with an aggregate net book value of approximately HK$9,608,000 as at 31 March 2003 (2002:Nil), was pledged to secure a mortgage loan granted to the Group (note 25).

17. INVESTMENTS IN SUBSIDIARIES

The Company

	2003 HK$'000
Unlisted share, at cost	22,316
Due from a subsidiary	24,512
	46,828

The amount due from a subsidiary is unsecured, interest-free and has no fixed term of repayment.

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

17. INVESTMENTS IN SUBSIDIARIES (continued)

The following list contains the particulars of the subsidiaries of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment operation	Particular of issued and paid up capital	Attributable equity interest % held by Company	held by subsidiary	Principal activity
Sun Ace Group Limited	British Virgin Islands	US$1	100	–	Investment holding
Sun Tai Hing Garment Making Company Limited	Hong Kong	HK$115,000	–	100	Provision of sales support services
Dragon City Limited	Samoa	US$1	–	100	Provision of marketing and compliance monitoring services

18. INTANGIBLE ASSETS

The Group

	Cost of CSR system HK$'000
Cost:	
Additions and at 31 March 2003	**4,645**
Amortisation:	
Provided during the year and at 31 March 2003	**(113)**
Net book value:	
At 31 March 2003	**4,532**

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

19. ADVANCES TO AGENTS

The Group

	2003 HK$'000
Costs	18,870
Less: Expenditure recognised in income statement	(1,573)
	17,297
Portion classified as current assets	(4,717)
Long term portion	12,580

Included above is advances to certain independent agents for setting up various overseas representative offices including Beijing, Harbin and Shenyang in the PRC and New York and Los Angeles in the US.

During the year, the Group entered into certain agency agreements (the "Agency Agreement") with certain independent agents in the PRC and the US (the "Agent") pursuant to which the Agent will be responsible for all the operating and promotion costs of each overseas representative office including staff costs, decoration, furniture and fixtures and daily operating expenses. The Agency Agreement is non-cancelable and with initial terms for four years.

20. INVESTMENTS IN SECURITIES

The Group

	2003 HK$'000	2002 HK$'000
Investments in securities, at cost		
Listed in Hong Kong	6,520	5,520
Less: Protion disclosed under current assets	(1,000)	–
Long term protion	5,520	5,520
Market value	1,292	5,520

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

21. TRADE RECEIVABLES

The Group

General credit terms granted by the Group to its customers ranged from 0 – 30 days. The following is an aged analysis of the trade receivables at the balance sheet date.

	2003 HK$'000	2002 HK$'000
0 – 30 days	2,985	1,699
30 – 60 days	598	–
	3,583	1,699

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company
	2003 HK$'000	2002 HK$'000	2003 HK$'000
Prepayments	3,604	100	13
Deposits	79	4	–
Other receivables	180	–	–
Other deposits	–	4,500	–
	3,863	4,604	13

23. CASH AND CASH EQUIVALENTS

	Group		Company
	2003 HK$'000	2002 HK$'000	2003 HK$'000
Cash and bank balances	14,114	2,297	3,614

24. TRADE AND OTHER PAYABLES

	Group		Company
	2003 HK$'000	2002 HK$'000	2003 HK$'000
Accrued expenses due within 30 days or on demand	895	721	3

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

25. INTEREST-BEARING BANK BORROWINGS

The Group

	2003 HK$'000	2002 HK$'000
Mortgage loan repayable:		
Within one year or on demand	251	–
In the second year	524	–
In the third to fifth year, inclusive	555	–
Beyond five years	5,279	–
	6,609	–
Portion classified as current liabilities	(251)	–
Long term portion	6,358	–

As at 31 March 2002, the Group's mortgage loan was secured by the followings:

(a) legal charge over the leasehold land and building of the Group with an aggregate net book value of approximately HK$9,608,000 (note 16); and

(b) corporate guarantee executed by the Company.

26. DEFERRED TAX

The Group

	2003 HK$'000	2002 HK$'000
Movements in deferred taxation comprise:		
Balance as at 1 April 2002/2001	67	67
Transferred from income statement (Note 12)	100	–
Balance as at 31 March 2003/2002	167	67

Deferred tax relates principally to the timing differences arising from accelerated depreciation allowances.

The Company did not have any significant unprovided deferred tax at the balance sheet date (2002: Nil).

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

27. SHARE CAPITAL

	2003 HK$'000
Authorised:	
1,000,000,000 shares of HK$0.01 each	10,000
Issued and fully paid:	
240,000,000 shares of HK$0.01 each	2,400

The following movements in the Company's authorised and issued share capital took place during the period from 21 June 2002 (date of incorporation) to 31 March 2003:

(a) the Company was incorporated with an authorised share capital of HK$200,000 divided into 20,000,000 shares with a nominal value of HK$0.01 each;

(b) on 3 July 2002, 10,000,000 shares of HK$0.01 each was allotted and issued at nil consideration;

(c) on 22 October 2002, the share capital of the Company was increased to HK$10,000,000 by the creation of a further 980,000,000 additional shares of HK$0.01 each, ranking pari passu with the existing share capital of the Company;

(d) on 22 October 2002, as part of the Group reorganisation described in note 1 to the financial statements, the Company; (i) issued an aggregate of 10,000,000 new shares of HK$0.01 each credited as fully paid at par; and (ii) credited as full paid at par the existing 10,000,000 shares issued nil paid on 3 July 2002 as set out in (b) above, in consideration of and in exchange for the acquisition of the entire issued share capital of Sun Ace Group Limited ("Sun Ace");

(e) on 22 October 2002, a total of 184,000,000 shares of HK$0.01 each were allotted and issued as fully paid, by way of capitalisation issue of HK$1,840,000 standing to the credit of the share premium account of the Company, to the holders of shares whose names appear on the register of members of the company at the close of business on the date following the date of the Prospectus at 30 October 2002, conditional as a result of the new issue and placing of shares as detailed in (f) below; and

(f) on 12 November 2002, a total of 36,000,000 shares of HK$0.01 each were issued to the public at a price of HK$1 each to the public by way of new issue and placement of shares upon the listing of the Company's shares on the Main Board of the Stock Exchange.

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

27. SHARE CAPITAL (continued)

A summary of the above movements in the issued share capital of the Company is as follows:

	Notes	Number of shares in issue '000	Issued share capital HK$'000
Shares allotted and issued at nil paid	(b)	10,000	–
Shares issued as consideration for the acquisition of the entire share capital of Sun Ace	(d)	10,000	100
Application of contributed surplus to pay up nil paid shares	(d)	–	100
Capitalisation issue credited as fully paid conditional on the share premium account of the company being credited as a result of the issue of new shares to the public	(e)	184,000	–
Pro forma issued share capital as at 1 April 2001 and 31 March 2002		204,000	200
New issue and placing of shares to the public	(f)	36,000	360
Capitalisation of the share premium account as set out above	(e)	–	1,840
Share issue expenses		–	–
At 31 March 2003		**240,000**	**2,400**

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

28. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 4 and under the heading "Employee benefits" in note 5 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements, as their disclosure is also a requirement of the Listing Rules.

The Company operates a share option scheme ("Share Option Scheme"), for the purpose of providing incentives and rewards to full-time employees of the Group in recognition of their contribution to the Group. The Share Option Scheme became effective on 22 October 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Subject to the terms of the Share Option Scheme, the Directors may, at its absolute discretion, invite full-time employees of the Group including executive directors of the Company or any of its subsidiaries ("Eligible Persons") to take up options to subscribe for Shares.

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other scheme of the Company must not exceed 30% of the total issued share capital of the Company from time to time.

The total number of Shares issued and to be issued on the exercise of options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of grant to each Eligible Person shall not exceed 1% of the total issued share capital of the Company in issue unless (i) a shareholders' circular is dispatched to the shareholders; (ii) the shareholders approve the grant of the options in excess of the limit referred to herein; and (iii) the relevant Eligible Person and its associates abstain from voting on the resolution.

An offer of the grant of an option shall be made to Eligible Persons by letter in such form as the Board may from time to time determine and shall remain open for acceptance by the Eligible Persons concerned for a period of 28 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the Adoption Date or after the Share Option Scheme has been terminated.

A non-refundable nominal consideration of $1.00 is payable by the grantee upon acceptance of an option. An option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the Eligible Persons together with the said consideration of $1.00 is received by the Company.

Unless otherwise provided in the terms of the Share Option Scheme, an option may be exercised at any time during the period commencing on the expiry of six calendar months after the date on which the option is deemed to be granted and accepted and expiring on a date to be determined and notified by the Board to each grantee, but in any event not later than 10 years from the date of grant of option but subject to the early termination of the Share Option Scheme.

The exercise price for Shares under the Share option scheme may be determined by the Board at its absolute discretion but in any event will not be less than the higher of: (i) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day, and (ii) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant, and (iii) nominal value of Shares.

During the year under review and up to the date of this report, no share option was granted or agreed to be granted under the Share Option Scheme.

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

29. RESERVES

The Group

	Contributed Surplus HK$'000	Share premium account HK$'000	Retained profits HK$'000	Total HK$'000
	(Note (i))			
At 1 April 2001	(84)	–	10,492	10,408
Profit attributable to shareholders	–	–	21,367	21,367
Dividend paid	–	–	(18,000)	(18,000)
At 31 March 2002	(84)	–	13,859	13,775
Share premium arising on new issue and placing of shares to the public	–	35,640	–	35,640
Capitalisation of share premium account	–	(1,840)	–	(1,840)
Share issue expenses	–	(7,854)	–	(7,854)
Profit attributable to shareholders	–	–	24,684	24,684
Special dividend paid	–	–	(6,000)	(6,000)
Interim dividend paid	–	–	(3,600)	(3,600)
At 31 March 2003	**(84)**	**25,946**	**28,943**	**54,805**

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

29. RESERVES (continued)

The Company

	Contributed Surplus HK$'000	Share premium account HK$'000	Retained profits HK$'000	Total HK$'000
At 21 June 2002 (date of incorporation)	–	–	–	–
Contributed surplus arising on the Group Reorganisation (Note (ii))	22,117	–	–	22,117
Share premium arising on new issue and placing of shares to the public	–	35,640	–	35,640
Capitalisation of share premium account	–	(1,840)	–	(1,840)
Share issue expenses	–	(7,854)	–	(7,854)
Profit attributable to shareholders	–	–	9,589	9,589
Special dividend paid	–	–	(6,000)	(6,000)
Interim dividend paid	–	–	(3,600)	(3,600)
At 31 March 2003	**22,117**	**25,946**	**(11)**	**48,052**

Notes:

(i) The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group Reorganisation on 22 October 2002 over the nominal value of the Company's shares issued in exchange therefor.

(ii) The contributed surplus of the Company represents the difference between the fair value of the shares of Sun Ace acquired pursuant to the Group Reorganisation on 22 October 2002 over the nominal value of the Company's shares issued in exchange therefore.

(iii) Under the Companies law (2001 Second Revision) of the Cayman Islands, the contributed surplus account is distributable to the shareholders of the Company under certain circumstances.

(iv) At 31 March 2003, the reserves of the Company available for distribution to shareholders amounted to HK$48,052,000 subject to the restriction stated in note (iii) above.

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

30. RETIREMENT BENEFIT SCHEME

The Group has a defined contribution retirement benefits scheme (the "Scheme") for its qualified employees, which was registered under the Occupational Retirement Scheme Ordinance (Chapter 426 of Laws of Hong Kong) and exempted from registration requirements of Section 5 of the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong).

Under the Scheme, contributions are made by both the employer and employees at rates of 5% to 10% and 5% respectively on the employees' salaries. There were neither forfeited contributions for the year ended 31 March 2003 nor any unutilised forfeited contributions as at 31 March 2003.

31. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent liabilities

As at 31 March 2003, several employees of the Group had completed the required number of years of service under the Employment Ordinance (the "Ordinance") to be eligible for long service payments upon termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Ordinance. If the termination of the employees met the circumstances required by the Ordinance, the Group's liability at 31 March 2003 would have been approximately HK$32,000 (2002: HK$28,000). No provision has been made for this amount in the financial statements as it is expected that the amounts will not crystallise in the foreseeable future.

Except for the above, the Group and the Company did no have any significant contingent liabilities for the year ended 31 March 2003 (2002: Nil).

Operating lease commitments

The Group leases of its office property under operating lease arrangement. Leases for property is negotiated for terms of two years.

As at 31 March 2003, the total future minimum lease payments under non-cancellable operating leases in respect of rented premises are payable as follows:

	2003 HK$'000	2002 HK$'000
Within one year	292	81
Between two to five year	25	–
	317	81

At 31 March 2003, the Company did not have any significant commitments.

NOTES TO FINANCIAL STATEMENTS (continued)

31 March 2003

32. RELATED PARTY TRANSACTIONS

During the year, the Group had the following material transactions with related parties:

(a) On 25 May 2002, the Group acquired leasehold land and buildings and a carparking space as staff quarters from Sin Ban & Son Limited and Mr. Garry Siu, a director of the Company, respectively for consideration of HK$4.1 million and HK$200,000 respectively. The directors consider the purchase considerations were with reference to open market values; and

(b) A corporate guarantee executed by the Company to secure the mortgage loan granted to certain subsidiary of the Group (note 25).

33. ULTIMATE HOLDING COMPANY

The directors of the Company consider that the ultimate holding company is Huge Gain Development Limited, which is incorporated in the British Virgin Islands.

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2003, the Group Reorganisation in preparation for the public listing of the Company's shares involved the acquisition of Sun Ace through the issue of shares of Company, further details of which are set out in notes 1 and 27 to the financial statements.

35. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 July 2003.