

## 1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 24 July 2002 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are the trading of fashion apparel. These principal activities have not changed during the year, except that the provision of administrative services and the trading of fashion apparel businesses were acquired during the year pursuant to a reorganisation scheme (the "Group Reorganisation") as set out in note 2 to the financial statements below. The principal activities of the Company's subsidiaries are set out in note 16 to the financial statements.

The directors consider Taco Holdings Limited, a company incorporated in the British Virgin Islands (the "BVI"), to be the Company's ultimate holding company as at the balance sheet date.

## 2. GROUP REORGANISATION AND BASIS OF PRESENTATION

### Group reorganisation

Pursuant to the Group Reorganisation to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as 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 7 November 2002, the Company became the holding company of the companies now comprising the Group (the "Subsidiaries") on 7 October 2002. This was accomplished by the Company acquiring the entire issued share capital of Born Idea Limited ("BIL"), a company incorporated in the BVI and the then holding company of the other subsidiaries as set out in note 16 to the financial statements, in consideration and in exchange for the allotment and issue of a total of 1,000,000 shares of HK\$0.01 each in the share capital of the Company, credited as fully paid, to Taco Holdings Limited, as directed by Mr. So Chi Hiu, a director of the Company and the former shareholder of BIL.

As further detailed in the Company's prospectus dated 23 October 2002 (the "Prospectus"), the ongoing businesses relating to the provision of administrative services and the trading of fashion apparel (the "Transferred Businesses") operated by Godlap Company Limited ("GCL") were transferred to the Group effective from 11 May 2002. Since then, GCL discontinued its activities of the Transferred Businesses. GCL, a company incorporated in Hong Kong with limited liability, is a related company of the Company as Mr. So Chi Hiu ("Mr. So"), a director of the Company, has beneficial interests therein.

## 2. GROUP REORGANISATION AND BASIS OF PRESENTATION (CONTINUED)

### Group reorganisation (continued)

Further details of the Group Reorganisation are set out in note 22 to the financial statements and in the Prospectus.

### Basis of presentation

The Group Reorganisation involved companies under common control. The consolidated financial statements have been prepared using the merger basis of accounting as a result of the Group Reorganisation completed on 7 October 2002, in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for group reconstructions", issued by the Hong Kong Society of Accountants. Under this basis, the Company has been treated as the holding company of the Subsidiaries for the financial years presented, rather than from the date of their acquisition. Accordingly, the consolidated/combined results of the Group for the years ended 31 March 2002 and 2003 include the results of the Subsidiaries with effect from 1 April 2001 or since their respective dates of incorporation, where this is a shorter period. Pursuant to the Group Reorganisation, the results attributable to the Transferred Businesses have been included in the consolidated financial statements of the Group with effect from 11 May 2002.

In the opinion of the directors, the consolidated financial statements of the Group prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.

All significant intercompany transactions and balances within the Group have been eliminated in the preparation of the consolidated financial statements.

The Company was incorporated on 24 July 2002. Accordingly, no comparative amounts as at 31 March 2002 have been presented in the Company's balance sheet.

## 3. RELATED PARTY TRANSACTIONS

In addition to the transactions arising from the Group Reorganisation and the transactions and balances detailed elsewhere in these financial statements, the Group received interest income of HK\$1,510,000 from Mr. So during the year ended 31 March 2002. The interest income arose from the current account with Mr. So, which was unsecured, bore interest at the average prevailing Hong Kong dollar prime rate and was fully settled in July 2002.

#### 4. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised Hong Kong Statements of Standard Accounting Practice are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- 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 these SSAPs are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated summary statement of changes in equity is now presented on page 23 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 prescribes the basis for the translation of foreign currency transactions in the financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. Further details of the impact of this SSAP are described in the accounting policy for "Foreign currencies" in note 5 to the financial statements below.

**4. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (CONTINUED)**

SSAP 15 prescribes the 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. The format of the consolidated cash flow statement set out on pages 24 and 25 of the financial statements and the notes thereto have been revised in accordance with the new requirements. In addition, cash flows from the Company's overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date. Further details of the impact of these changes that have resulted from the adoption of this revised SSAP are included in the accounting policy for "Foreign currencies" in note 5 to the financial statements below.

SSAP 34 prescribes 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 change to the previously adopted accounting treatments for employee benefits. In addition, disclosures are now required in respect of the Company's share option scheme, as detailed in note 22 to the financial statements. These share option scheme disclosures are similar to those required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, which are now included in the notes to the financial statements as a consequence of the SSAP.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

### 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:

- (a) 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
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

### Fixed assets and depreciation

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 the fixed assets have been 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 has resulted in an increase in the future economic benefits expected to be obtained from the use of the 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 for this purpose are as follows:

Furniture, fixtures and equipment	33%
Leasehold improvements	Over the lease terms

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Fixed assets and depreciation (continued)

The gain or loss on disposal 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.

### 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 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.

### Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

### 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.

### Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

### Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Inventories

Inventories, which comprise finished goods held for resale, are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and includes all costs of purchase, costs 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.

### Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

In previous years, the profit and loss accounts and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The change in the treatment of such items in the current year has, however, had no significant effect on these financial statements.



## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and 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.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

### Employee benefits

#### *Retirement benefits 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. 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 the 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 into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when an employee leaves employment prior to the contributions vesting fully in accordance with the rules of the MPF Scheme.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Employee benefits (continued)

#### *Share option scheme*

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

## 6. SEGMENT INFORMATION

The Group's primary segment reporting basis is by business segment and its secondary segment reporting basis is by geographical segment.

### (i) Business segments

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. During the year, over 90% of the Group's revenue, results, assets and liabilities were derived from the trading segment which engaged in the trading of fashion apparel and accordingly, no further detailed analysis of the Group's business segments is disclosed.

**6. SEGMENT INFORMATION (CONTINUED)****(ii) Geographical segments**

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. During the year, over 90% of the Group's revenue, assets and liabilities were derived from customers based in the People's Republic of China (the "PRC") including Hong Kong and accordingly, no further detailed analysis of the Group's geographical segments is disclosed.

**7. TURNOVER**

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

**8. PROFIT BEFORE TAX**

The Group's profit before tax is arrived at after charging/(crediting):

	2003 HK\$'000	2002 HK\$'000
Cost of inventories sold	94,546	77,885
Depreciation (note 15)	325	206
Provision for bad and doubtful debts *	4,283	726
Provision for slow-moving inventories	2,027	–
Staff costs (excluding directors' remuneration – note 9):		
Salaries and allowances	1,666	992
Pension scheme contributions	32	–
	<b>1,698</b>	992
Auditors' remuneration	800	400
Minimum lease payments under operating leases for land and buildings	209	–
Interest income	(13)	(1,510)

\* These amounts are included in "Other operating expenses" on the face of the consolidated profit and loss account.

## 9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	<b>120</b>	–
	<b>120</b>	–
Other emoluments – executive directors:		
Basic salaries, housing, other allowances and benefits in kind	<b>1,232</b>	934
Pension scheme contributions	<b>38</b>	–
	<b>1,270</b>	934
	<b>1,390</b>	934

The remuneration of each director for the year fell within the nil to HK\$1,000,000 band.

During the year, a director of the Company agreed to waive emoluments of a total of HK\$144,000.

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

**10. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the year included three (2002: one) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2002: four) non-director, highest paid employees are set out as follows:

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	<b>335</b>	244
Pension scheme contributions	<b>16</b>	–
	<b>351</b>	244

The remuneration of each of the non-director, highest paid employees for the year fell within the nil to HK\$1,000,000 band.

During the year, no emoluments were paid by the Group to the non-director, highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

**11. TAX**

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
People's Republic of China:		
Hong Kong	–	–
Macau	<b>7,774</b>	5,973
Elsewhere	<b>95</b>	95
Tax charge for the year	<b>7,869</b>	6,068

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2002: Nil).

**11. TAX (CONTINUED)**

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Macau Complementary Tax has been calculated at the rate of 15.75% (2002: 15.75%) on the estimated assessable profits of LeRoi Trading International Limited ("LTIL"), a wholly-owned subsidiary of the Company, during the year.

No deferred tax has been provided by the Company and the Group because there were no significant timing differences at the balance sheet date (2002: Nil).

**12. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS**

The net profit from ordinary activities attributable to shareholders for the period from 24 July 2002 (date of incorporation) to 31 March 2003 dealt with in the financial statements of the Company was HK\$721,000.

**13. DIVIDEND**

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Interim	–	18,000
Special dividend	<b>12,000</b>	–
	<b>12,000</b>	18,000

The special dividend for the year ended 31 March 2003 and the interim dividend for the year ended 31 March 2002 were paid by LTIL to its then shareholder prior to the Group Reorganisation and listing of the Company's shares on the Stock Exchange. The rates of the dividends and the number of shares ranking for these dividends are not presented as the directors consider that such information is not meaningful for the purpose of these financial statements.

## 14. EARNINGS PER SHARE

The calculation of basic earnings per share, on a consolidated basis, is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$36,043,000 (2002: HK\$29,477,000) and the weighted average of 726,920,985 (2002: 667,920,000) ordinary shares in issue during the year.

The weighted average number of shares used to calculate the earnings per share for the year ended 31 March 2002 includes the pro forma issued share capital of the Company, comprising the 1,000,000 shares issued nil paid on incorporation of the Company, the 1,000,000 shares issued as consideration for the acquisition of the entire issued share capital of BIL and the capitalisation issue of 665,920,000 shares as further detailed in note 22 to the financial statements. The weighted average number of shares used to calculate the earnings per share for the year ended 31 March 2003 comprises the above shares and the weighted average of the 141,680,000 shares issued upon the listing of the Company's shares on 7 November 2002.

Diluted earnings per share amounts for the years ended 31 March 2002 and 2003 have not been shown as there were no dilutive events existing during these years.

**15. FIXED ASSETS**

Group	Furniture, fixtures and equipment HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Cost:			
At beginning of year	621	–	621
Acquisition of the Transferred Business	76	–	76
Additions	1,548	72	1,620
At 31 March 2003	2,245	72	2,317
Accumulated depreciation:			
At beginning of year	567	–	567
Provided for the year	303	22	325
At 31 March 2003	870	22	892
Net book value:			
At 31 March 2003	1,375	50	1,425
At 31 March 2002	54	–	54

**16. INVESTMENTS IN SUBSIDIARIES**

Company	2003 HK\$'000
Unlisted shares, at cost	38,898

The balances with subsidiaries are unsecured, interest-free and are repayable on demand.



**16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)**

Particulars of the subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal value of ordinary share capital	Percentage of equity attributable to the Company	Principal activities
<b>Directly held</b>				
Born Idea Limited	BVI	US\$1,601	100	Investment holding
<b>Indirectly held</b>				
Top Million International Limited	Hong Kong	HK\$1,000	100	Provision of administrative services
Sincere Jade Limited	BVI/ Mainland China	US\$1	100	Provision of quality control and design services
LeRoi Trading International Limited	BVI/ Macau	US\$1,000	100	Trading of fashion apparel

**17. INVENTORIES**

	Group	
	2003 HK\$'000	2002 HK\$'000
Finished goods	<b>29,318</b>	18,699

At 31 March 2003, no inventories were stated at net realisable value (2002: Nil).

**18. TRADE RECEIVABLES**

The Group's trading terms with its customers are mainly on credit. The credit terms are generally for a period of 90 days, except for certain well-established customers for whom the terms are extended to 120 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An aged analysis of the Group's trade receivables, based on invoice date, is as follows:

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Within 90 days	<b>36,253</b>	14,537
Between 91 to 180 days	–	8,634
Between 181 days to 270 days	–	7,727
Between 271 days to 365 days	–	1,523
	<b>36,253</b>	32,421

**19. DUE FROM A RELATED COMPANY**

Particulars of the amount due from a related company disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

<b>Group</b>	<b>Maximum amount</b>		
	<b>31 March 2003</b>	<b>outstanding during the year</b>	<b>1 April 2002</b>
	HK\$'000	HK\$'000	HK\$'000
Godlap Company Limited	–	7,385	7,385

Godlap Company Limited is a company in which Mr. So is a director and beneficiary shareholder.

**19. DUE FROM A RELATED COMPANY (CONTINUED)**

The balance due from a related company was unsecured, interest-free and was fully settled during the year.

**20. DUE FROM A DIRECTOR**

Particulars of the amount due from a director disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Group	31 March	Maximum	1 April
	2003	amount	2002
	HK\$'000	outstanding	HK\$'000
		during the year	
Mr. So Chi Hiu	–	9,811	9,811

The amount due from a director was unsecured, bore interest at the average prevailing Hong Kong dollar prime rate and was fully settled in July 2002.

**21. TRADE PAYABLES**

An aged analysis of the Group's trade payables is as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Within 90 days	8,893	14,119

**22. SHARE CAPITAL****Shares**

	<b>2003</b>
	<b>HK\$'000</b>
Authorised:	
2,000,000,000 ordinary shares of HK\$0.01 each	<b>20,000</b>
Issued and fully paid:	
809,600,000 ordinary shares of HK\$0.01 each	<b>8,096</b>

The following movements in the Company's authorised and issued share capital took place during the period from 24 July 2002 (date of incorporation) to 31 March 2003:

- (i) On incorporation, the authorised share capital of the Company was HK\$10,000 divided into 1,000,000 shares of HK\$0.01 each.
- (ii) On 31 July 2002, one subscriber share of HK\$0.01 was allotted and issued nil paid, and was transferred to Taco Holdings Limited, the ultimate holding company, at nil consideration.
- (iii) On the same date, an aggregate of 999,999 shares were allotted and issued nil paid to Taco Holdings Limited.
- (iv) Pursuant to a written resolution passed on 7 October 2002, the authorised share capital of the Company was increased from HK\$10,000 to HK\$20,000,000 by the creation of a further 1,999,000,000 shares of HK\$0.01 each.
- (v) On 7 October 2002, as part of the Group Reorganisation as set out in note 2 to the financial statements, the Company issued an aggregate of 1,000,000 shares of HK\$0.01 each, credited as fully paid to the former shareholder of BIL, in consideration for the acquisition of the entire issued share capital of BIL. The excess of the fair value of the shares of BIL, determined on the basis of the consolidated net assets value of BIL and its then subsidiaries at that date over the nominal value of the Company's shares issued in exchange therefor, amounting to HK\$38,878,000, was credited to the Company's share premium account as set out in note 23 to the financial statements below.

## 22. SHARE CAPITAL (CONTINUED)

- (vi) On 7 October 2002, an amount of HK\$10,000, being a portion of the amount credited to the share premium account of the Company on the issue of shares in exchange for the shares of BIL as set out in (v) above, was applied to pay up, in full at par value, the 1,000,000 shares allotted and issued nil paid.
- (vii) On 31 October 2002, the Company allotted and issued 665,920,000 shares to the holders of the shares whose names appeared on the register of members of the Company at that date, in proportion to their then holdings, by way of the capitalisation of the sum of HK\$6,659,200 standing to the credit of the share premium account of the Company. This allotment and capitalisation were conditional on the share premium account being credited as a result of the Company's new shares issued to the public.
- (viii) On 31 October 2002, 141,680,000 shares of HK\$0.01 each were issued to the public at HK\$0.25 each for a total cash consideration, before related issuing expenses, of HK\$35,420,000.

**22. SHARE CAPITAL (CONTINUED)**

The following is a summary of the above movements during the period in the authorised and issued share capital of the Company:

	Notes	Number of authorised shares (‘000)	Number of issued shares (‘000)	Nominal value of shares issued HK\$‘000
Shares authorised on incorporation	(i)	1,000	–	–
Shares allotted and issued nil paid	(ii), (iii)	–	1,000	–
Increase in authorised share capital	(iv)	1,999,000	–	–
Shares issued as consideration for acquisition of the entire issued share capital of BIL	(v)	–	1,000	10
Application of capital reserve to pay up nil paid shares issued on incorporation	(vi)	–	–	10
Shares issued and credited as fully paid conditional on the share premium account of the Company being credited as a result of the Company’s shares offered to the public	(vii)	–	665,920	–
Pro forma share capital as at 31 March 2002		2,000,000	667,920	20
New issue on public listing	(viii)	–	141,680	1,417
Capitalisation of the share premium account		–	–	6,659
Balance at 31 March 2003		2,000,000	809,600	8,096

## 22. SHARE CAPITAL (CONTINUED)

### Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, and customers of the Group. The Scheme became effective on 8 October 2002 and, unless otherwise cancelled or amended, will remain in force for 10 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 30% 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, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 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 is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the nominal value of a share of the Company; (ii) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer of the share options.

**22. SHARE CAPITAL (CONTINUED)****Share option scheme (continued)**

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Up to the date of this report, no share options have been granted by the Company under the Scheme.

**23. RESERVES****Group**

	Notes	Share premium account HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2001		–	24,903	24,903
Net profit for the year		–	29,477	29,477
Interim dividend		–	(18,000)	(18,000)
At 31 March and 1 April 2002		–	36,380	36,380
Acquisition of the Transferred Businesses	24(a)	(10,227)	–	(10,227)
Issue of shares to the public	22	34,003	–	34,003
Capitalisation on issue of shares	22	(6,659)	–	(6,659)
Share issue expenses		(7,290)	–	(7,290)
Net profit for the year		–	36,043	36,043
Special dividend		–	(12,000)	(12,000)
At 31 March 2003		9,827	60,423	70,250
Company				
At 24 July 2003 (date of incorporation)		–	–	–
Arising on acquisition of BIL	22	38,878	–	38,878
Issue of shares to the public	22	34,003	–	34,003
Capitalisation on issue of shares	22	(6,659)	–	(6,659)
Share issue expenses		(7,290)	–	(7,290)
Net profit for the period		–	721	721
At 31 March 2003		58,932	721	59,653



### 23. RESERVES (CONTINUED)

The share premium account of the Group includes (i) shares issued at a premium; and (ii) the difference between the nominal value of the aggregate issued share capital of the subsidiaries acquired, together with the share premium arising on the acquisition of the Transferred Businesses pursuant to the Group Reorganisation as set out in note 2 to the financial statements, over the nominal value of Company's shares issued in exchange therefor.

The share premium account of the Company includes (i) shares issued at a premium; and (ii) the excess of the combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor pursuant to the Group Reorganisation as set out in note 2 to the financial statements.

Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

### 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of the Transferred Businesses

	Group	
	2003	2002
	HK\$'000	HK\$'000
Net liabilities acquired:		
Fixed assets	76	–
Prepayments, deposits and other receivables	28	–
Due to a related company	(6,563)	–
Due to a director	(3,768)	–
	<b>(10,227)</b>	–

## 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

### (a) Acquisition of the Transferred Businesses (continued)

As part of the Group Reorganisation as described in note 2 to the financial statements, on 11 May 2002, the Transferred Businesses operated by Godlap Company Limited were transferred to the Group. The consideration was settled by the allotment and issue of one ordinary share of US\$1, credited as fully paid, in Born Idea Limited to Mr. So as directed by Godlap Company Limited. The share issued by Born Idea Limited does not have a published price. The fair value of the share issued was estimated with reference to the fair values of the identifiable assets and liabilities attributable to the Transferred Businesses as at the date of acquisition. The excess of the nominal value of the share issued over the net liabilities acquired was debited to the share premium account (note 23).

The Transferred Businesses acquired during the year contributed a net loss of HK\$3,865,000 to the consolidated net profit from ordinary activities attributable to shareholders for the year ended 31 March 2003.

### (b) Major non-cash transaction

The special dividend for the year of HK\$12 million, which was declared by LTIL to its then shareholder, was settled through the current account with a director, Mr. So Chi Hiu.

## 25. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office premises under operating lease arrangements which are negotiated for a lease term of two years.

At 31 March 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	290	–
In the second to fifth years, inclusive	60	–
	<b>350</b>	–

The Company had no significant commitments at the balance sheet date.

## 26. COMPARATIVE AMOUNTS

As further explained in note 4 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

## 27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 July 2003.