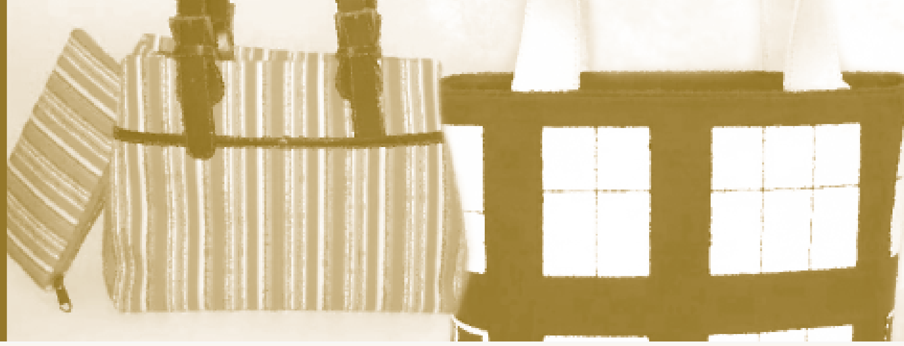
Notes to the Financial Statements

For the year ended 31 December 2003



1. Basis of Preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain leasehold land and buildings are stated at fair value.

In the current year, the Group adopted Hong Kong Statement of Standard Accounting Practice ("SSAP") No.12 (revised) "Income Taxes" issued by HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The change to the Group's accounting policy and the effect of adopting this new policy is set out in note 2(m) below.

2. Principal Accounting Policies

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

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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.

2. Principal Accounting Policies (continued)

(b) Associated company

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated income statement includes the Group's share of the results of associated company for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated company and goodwill on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company; unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) 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 income statement.

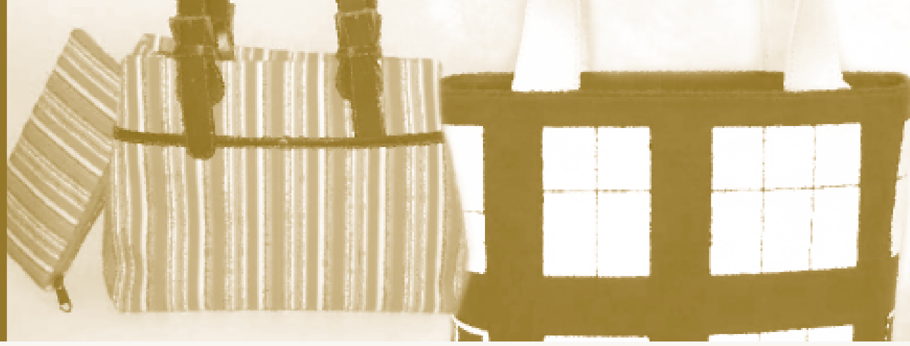
The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the income statement is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(d) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions occurring on or after 1 January 2001 is included in intangible assets and is amortised using the straight-line method over 5 years.

Goodwill on acquisitions that occurred prior to 1 January 2001 was eliminated against reserves. Any impairment arising on such goodwill is accounted for in the income statement.



2. Principal Accounting Policies (continued)

(e) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

(f) Fixed assets

(i) Leasehold land and buildings

Leasehold land and buildings are stated at cost or valuation less accumulated deprecation. Valuation is determined by the Directors based on independent valuations which are performed on a regular basis. In the intervening years, the Directors review the carrying value of the leasehold land and buildings and adjustment is made where they consider that there has been a material change. Increases in valuation are credited to the properties revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Leasehold land and buildings are depreciated over the period of the lease on a straight-line basis at rates ranging from 2% to 5%.

(ii) Other fixed assets

Other fixed assets, comprising plant and machinery, leasehold improvements, furniture and fixtures, motor vehicles and moulds are stated at cost less accumulated deprecation and accumulated impairment losses. Other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Plant and machinery	20%
Leasehold improvements, furniture and fixtures	20% – 30%
Motor vehicles	20% – 25%
Moulds	25%

Major costs incurred in restoring fixed assets to their normal working condition to allow continued use of the overall asset are capitalised and depreciated over the period to their next scheduled overhaul.

Improvements are capitalised and depreciated over their expected useful lives to the Group.

2. Principal Accounting Policies (continued)

(f) Fixed assets (continued)

(iii) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in leasehold land and buildings and other 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 income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

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 income statement. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(g) Assets under leases

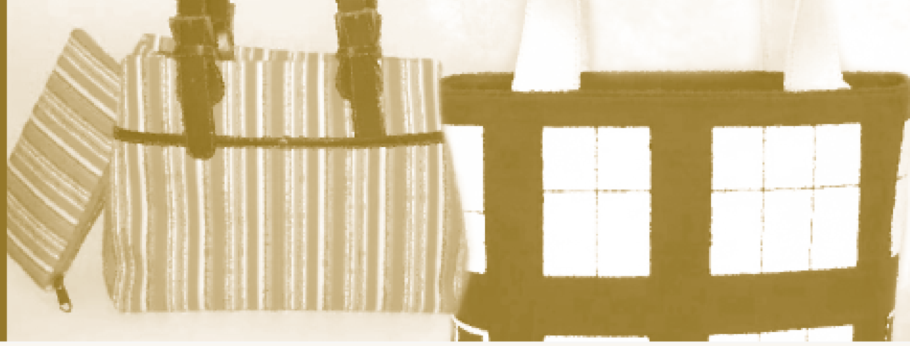
(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in the long-term liabilities. The finance charges are charged to the income statement over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

Leases where substantially all the risks 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 leasing company are charged to the income statement on a straight-line basis over the lease periods.



2. Principal Accounting Policies (continued)

(h) 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 materials, direct labour and an appropriate proportion of all production overhead expenditure, and/or, where appropriate, subcontracting charges. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(i) 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.

(j) 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.

(k) 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.

(l) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service 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.

2. Principal Accounting Policies (continued)

(l) Employee benefits (continued)

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the fund.

(m) Deferred taxation

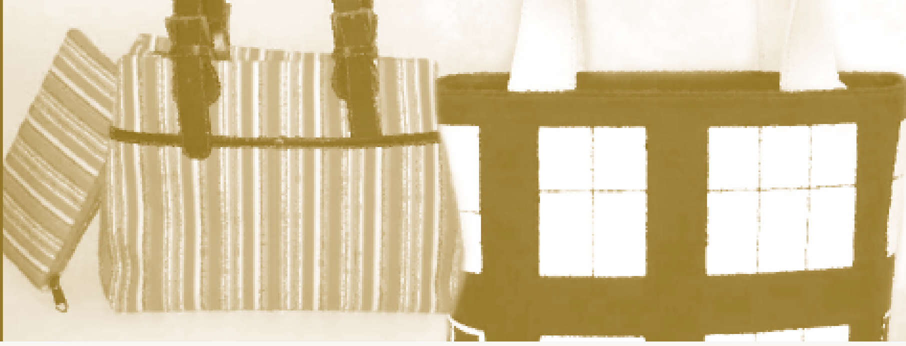
Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated company, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

In prior year, deferred taxation was 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 financial statements to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.



2. PRINCIPAL ACCOUNTING POLICIES (continued)

(m) Deferred taxation (continued)

As detailed in note 23 to the financial statements, opening retained earnings at 1 January 2002 and 2003 have been reduced by approximately HK$587,000 and HK$324,000, respectively, which represent the cumulative effect of the change in policy on the results for periods prior to 2002 and 2003, respectively. The balances on the Group's properties revaluation reserve at 1 January 2002 and 2003 have been reduced by approximately HK$110,000 and HK$110,000, respectively, representing the deferred tax liabilities recognised in respect of the revaluation surplus on the Group's properties at that date. The effect of the change is a deferred taxation credited to the income statement in the current year of approximately HK$146,000 (2002: HK$263,000).

(n) 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, 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 financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(o) Revenue recognition

Revenue from the sales of manufactured goods and trading of raw materials are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Subcontracting fee income is recognised when the subcontracting services are rendered.

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

(p) Borrowing costs

All borrowing costs are charged to the income statement in the year in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset. No interest is capitalised during the year.

2. Principal Accounting Policies (continued)

(q) 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.

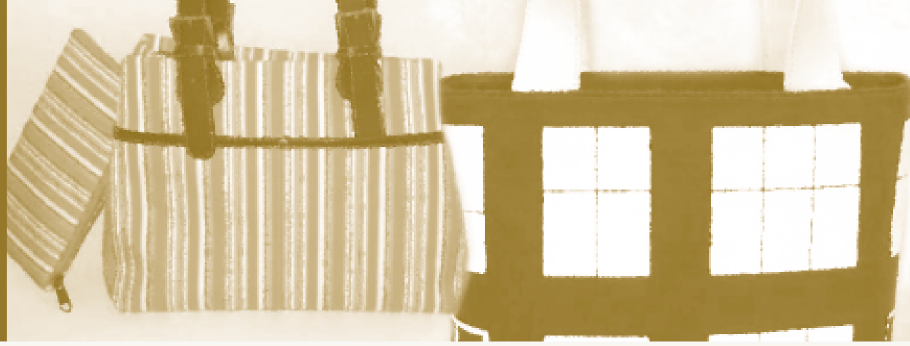
Unallocated costs represent corporate expenses. Segment assets consist primarily of inventories and receivables. Capital expenditure comprises additions to goodwill and fixed assets.

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 continues to engage in manufacturing and trading of handbag products and related accessories, provision of subcontracting services and trading of raw materials. During the year, the Group commenced the manufacturing and trading of garments and provision of related subcontracting services. The Directors regard the manufacture and sale of garments and provision of related subcontracting services as one of the business segments of the Group. Revenues recognised during the year are as follows:

	2003	2002
	HK$'000	HK$'000
Turnover		
Handbag products and related accessories		
Sales of manufactured goods	**255,463**	234,180
Garments		
Subcontracting fee income	**4,066**	–
Trading of raw materials	**63,122**	71,887
	322,651	306,067
Other revenue		
Interest income	**378**	161
Net exchange gain	**1,530**	–
	1,908	161
Total revenue	**324,559**	306,228



3. Turnover, Revenue and Segment Information (continued)

(a) Primary reporting format – business segments

The Group is organised into three main business segments:

Handbag products and related accessories	–	manufacture and sale of handbag products and related accessories and provision for related subcontracting services
Garments	–	manufacture and sale of garments and provision for related subcontracting services
Raw materials	–	trading of raw materials

There are no sales or other transactions between the business segments.

During the year, to better present the business operations of the Group, the Group has adjusted its business segments, including, inter alia, combining the "Sales of manufactured goods" and "Subcontracting fee income" segments as defined in the annual report 2002 and redefining the "Handbag products and related accessories" segment. The reclassification of business segments has no effect on the segment information presented for the year ended 31 December 2002.

(b) Secondary reporting format – geographical segments

The Group's principal markets are located in four main geographical areas:

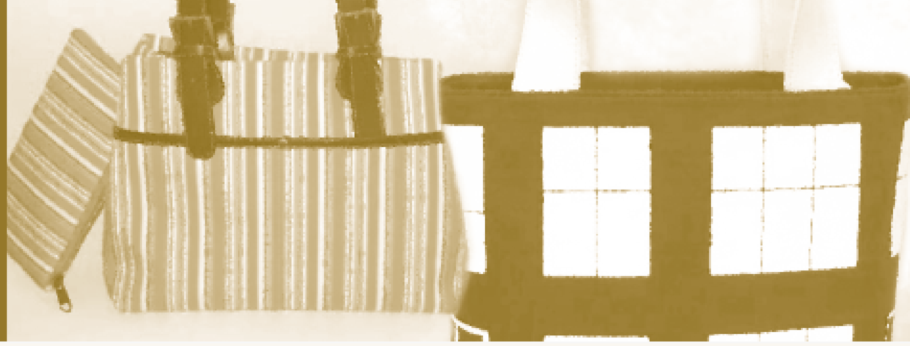
United States of America	–	sales of manufactured handbag products and related accessories
	–	subcontracting fee income from garments
Europe	–	sales of manufactured handbag products and related accessories
The People's Republic of China (the "PRC")	–	trading of raw materials
	–	sales of manufactured handbag products and related accessories
Asia region except the PRC	–	sales of manufactured handbag products and related accessories

Sales or transactions between the geographical segments are eliminated on presentation of segment information of the Group.

3. Turnover, Revenue and Segment Information (continued)

Primary reporting format – business segments

	Handbag products and related accessories 2003 HK$'000	Garments 2003 HK$'000	Raw materials 2003 HK$'000	Group 2003 HK$'000
Turnover	255,463	4,066	63,122	322,651
Segment results	38,659	(2,060)	1,344	37,943
Other revenue				1,908
Unallocated costs				(23,458)
Operating profit				16,393
Finance costs				(2,762)
Share of loss of an associated company				(410)
Profit before taxation				13,221
Taxation				(1,822)
Profit attributable to shareholders				11,399
Segment assets	85,484	130	20,956	106,570
Interests in an associated company				(333)
Goodwill				148
Unallocated assets				90,885
Total assets				197,270
Total liabilities				107,651
Capital expenditure				3,276
Depreciation				9,924
Amortisation charge				74
Provision for doubtful debts				719



3. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

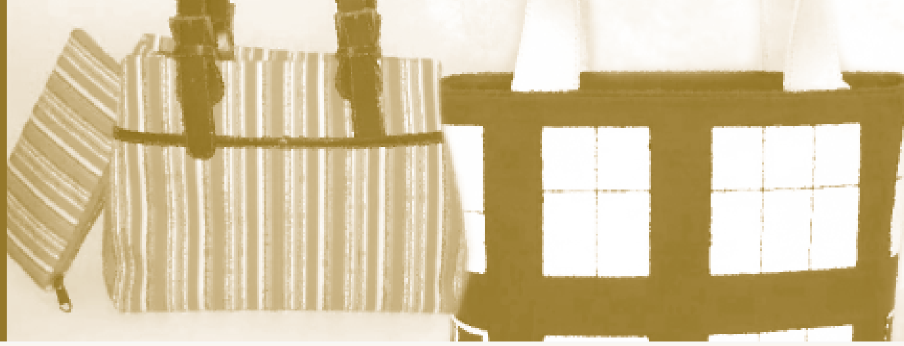
Primary reporting format – business segments (continued)

	Handbag products and related accessories 2002 HK$'000	Garments 2002 HK$'000	Raw materials 2002 HK$'000	As restated Group 2002 HK$'000
Turnover	234,180	–	71,887	306,067
Segment results	40,100	–	2,576	42,676
Other revenue				161
Unallocated costs				(22,957)
Operating profit				19,880
Finance costs				(3,358)
Share of profit of an associated company				44
Profit before taxation				16,566
Taxation				(3,412)
Profit attributable to shareholders				13,154
Segment assets	83,069	–	9,326	92,395
Interests in an associated company				77
Goodwill				222
Unallocated assets				59,950
Total assets				152,644
Total liabilities				74,424
Capital expenditure				3,311
Depreciation				9,626
Amortisation charge				74
Impairment charge				327

3. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

Secondary reporting format – geographical segments

	Turnover 2003 HK$'000	Segment result 2003 HK$'000	Total assets 2003 HK$'000	Capital expenditure 2003 HK$'000
United States of America	119,263	14,841	–	–
Europe	130,977	20,916	–	–
The PRC	71,240	2,085	68,265	1,555
Asia region except the PRC	1,171	101	129,190	1,721
	322,651	37,943	197,455	3,276
Other revenue		1,908		
Unallocated costs		(23,458)		
Operating profit		16,393		
Finance costs		(2,762)		
Share of loss of an associated company		(410)		
Profit before taxation		13,221		
Taxation		(1,822)		
Profit attributable to shareholders		11,399		
Interests in an associated company			(333)	
Goodwill			148	
Total assets			197,270	



3. Turnover, Revenue and Segment Information (continued)

Secondary reporting format – geographical segments (continued)

	Turnover 2002 HK$'000	As restated Segment result 2002 HK$'000	Total assets 2002 HK$'000	Capital expenditure 2002 HK$'000
United States of America	135,785	21,256	–	–
Europe	93,926	18,332	–	–
The PRC	52,878	907	57,722	1,198
Asia region except the PRC	23,478	2,181	94,623	2,113
	306,067	42,676	152,345	3,311
Other revenue		161		
Unallocated costs		(22,957)		
Operating profit		19,880		
Finance costs		(3,358)		
Share of profit of an associated company		44		
Profit before taxation		16,566		
Taxation		(3,412)		
Profit attributable to shareholders		13,154		
Interests in an associated company			77	
Goodwill			222	
Total assets			152,644	

4. Operating Profit

Operating profit is stated after charging the following:

	2003 HK$'000	2002 HK$'000
Depreciation:		
Owned fixed assets	**9,906**	9,400
Leased fixed assets	**18**	226
Impairment of fixed assets (included in other operating expenses)	**–**	327
Staff costs (including Directors' remuneration) *(note 10)*	**31,103**	29,290
Cost of inventories	**234,207**	213,528
Auditors' remuneration		
Current year	**560**	550
Underprovision in prior year	**10**	75
	570	625
Net exchange losses	**–**	371
Provision for doubtful debts	**719**	–
Amortisaton of goodwill (included in administrative expenses, *note 12*)	**74**	74
Operating leases on land and buildings	**487**	500

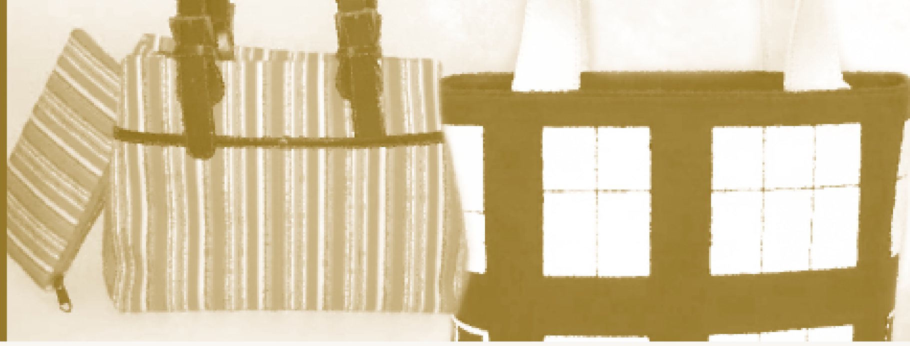
5. Finance Costs

	2003 HK$'000	2002 HK$'000
Interest on bank loans and overdrafts	**2,742**	3,299
Interest element of finance leases	**20**	59
	2,762	3,358

6. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the year. In 2003 the government enacted a change in the profits tax rate from 16% to 17.5% for the year of assessment 2003/2004.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the subsidiaries operate.



6. Taxation (continued)

The amount of taxation charged to the consolidated income statement represents:

	2003 HK$'000	As restated 2002 HK$'000
Hong Kong profits tax		
Current year	3,320	3,019
Overprovisions in prior years	(185)	–
Overseas taxation		
Current year	28	649
Overprovisions in prior years	(1,195)	–
Deferred taxation relating to the origination and reversal of temporary differences	(177)	(263)
Deferred taxation resulting from an increase in tax rate	31	–
	1,822	3,405
Share of taxation attributable to an associated company	–	7
Taxation charges	1,822	3,412

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2003 HK$'000	2002 HK$'000
Profit before taxation	13,221	16,566
Calculated at a taxation rate of 17.5% (2002: 16%)	2,314	2,651
Effect of different taxation rates in other countries	(730)	445
Income not subject to taxation	(342)	(25)
Expenses not deductible for taxation purposes	549	341
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	31	–
Taxation charges	1,822	3,412

7. Profit Attributable to Shareholders

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of a loss of HK$110,000 (2002: loss of HK$64,000).

8. Dividends

	2003 HK$'000	2002 HK$'000
Final, proposed, of HK2.75 cents (2002: HK$Nil) per ordinary share	**5,500**	–

At a meeting held on 20 April 2004, the Directors proposed a final dividend of HK2.75 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2004.

9. Earnings Per Share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK$11,399,000 (2002: HK$13,154,000 (as restated)).

The basic earnings per share is based on 200,000,000 (2002: 200,000,000) ordinary shares in issue during the year.

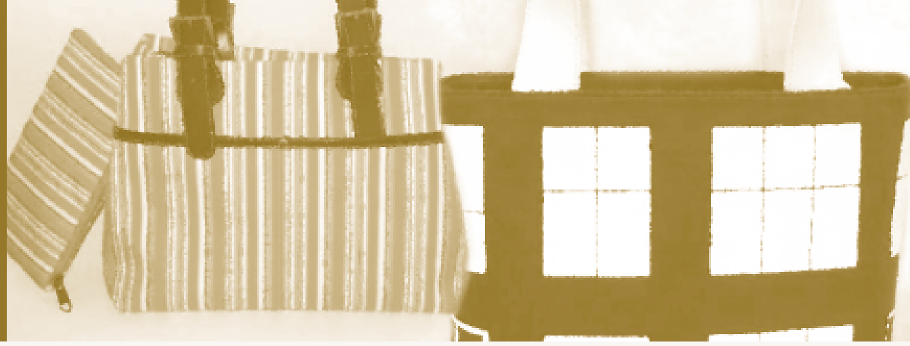
Diluted earnings per share for the years ended 31 December 2003 and 2002 were not disclosed as there were no dilutive potential ordinary shares.

10. Staff Costs (including Directors' Remuneration)

	2003 HK$'000	2002 HK$'000
Wages and salaries	**30,662**	28,831
Contributions to pension schemes		
– to the MPF Scheme *(note a)*	**220**	233
– to the PRC retirement scheme *(note b)*	**221**	226
	31,103	29,290

(a) Pursuant to the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), companies within the Group in Hong Kong have enrolled all employees in Hong Kong aged between 18 to 65 into a mandatory provident fund scheme (the "MPF Scheme") from 1 December 2000. Contributions to the MPF Scheme are calculated as a percentage of employees' basic salaries.

(b) The subsidiaries in the PRC have participated in employees' retirement scheme implemented by the local municipal government. Contributions are made by the relevant subsidiaries to the scheme based on 1% of the applicable payroll costs.



11. Directors' and Senior Management's Emoluments

(a) Directors' remuneration

The aggregate amounts of emoluments payable to Directors of the Company during the year are as follows:

	2003 HK$'000	2002 HK$'000
Independent Non-executive Directors		
Fees	**160**	148
Executive Directors		
Basic salaries and other allowances	**2,396**	2,496
Contributions to pension schemes	**60**	60
	2,616	2,704

The emoluments of the seven (2002: eight) Directors are less than HK$1,000,000.

No Directors waived any emoluments and no incentive payment or compensation for loss of office was paid or payable to any Director during the year (2002: Nil).

11. 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 ended 31 December 2003 were also Directors and their emoluments are reflected in the analysis represented above.

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2002 include four Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one individual during the year ended 31 December 2002 were as follows:

	2003	2002
	HK$'000	HK$'000
Basic salaries and other allowances	**–**	320
Contribution to pension schemes	**–**	12
	–	332

The emoluments of this highest paid individual were less than HK$1,000,000 during the year ended 31 December 2002.

No incentive payment or compensation for loss of office was paid or payable to this individual during the year ended 31 December 2002.

12. Goodwill

	Group	
	2003	2002
	HK$'000	HK$'000
Year ended 31 December		
Opening net book amount	**222**	296
Amortisation charge *(note 4)*	**(74)**	(74)
Closing net book amount	**148**	222
At 31 December		
Cost	**370**	370
Accumulated amortisation	**(222)**	(148)
Net book amount	**148**	222

13. Fixed Assets

	Group					
	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Total HK$'000
Cost or valuation						
At 1 January 2003	20,292	24,688	28,256	2,065	2,119	77,420
Additions	–	1,797	1,214	227	38	3,276
At 31 December 2003	**20,292**	**26,485**	**29,470**	**2,292**	**2,157**	**80,696**
Accumulated depreciation and impairment						
At 1 January 2003	1,216	14,936	14,269	1,385	1,834	33,640
Charge for the year	668	3,488	5,182	455	131	9,924
At 31 December 2003	**1,884**	**18,424**	**19,451**	**1,840**	**1,965**	**43,564**
Net book value						
At 31 December 2003	**18,408**	**8,061**	**10,019**	**452**	**192**	**37,132**
At 31 December 2002	19,076	9,752	13,987	680	285	43,780

The analysis of the cost or valuation at 31 December 2003 of the above assets is as follows:

	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Total HK$'000
At cost	**6,630**	**26,485**	**29,470**	**2,292**	**2,157**	**67,034**
At valuation	**13,662**	–	–	–	–	**13,662**
	20,292	**26,485**	**29,470**	**2,292**	**2,157**	**80,696**

13. Fixed Assets (continued)

The analysis of the cost or valuation at 31 December 2002 of the above assets is as follows:

	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Total HK$'000
At cost	6,630	24,688	28,256	2,065	2,119	63,758
At valuation	13,662	–	–	–	–	13,662
	20,292	24,688	28,256	2,065	2,119	77,420

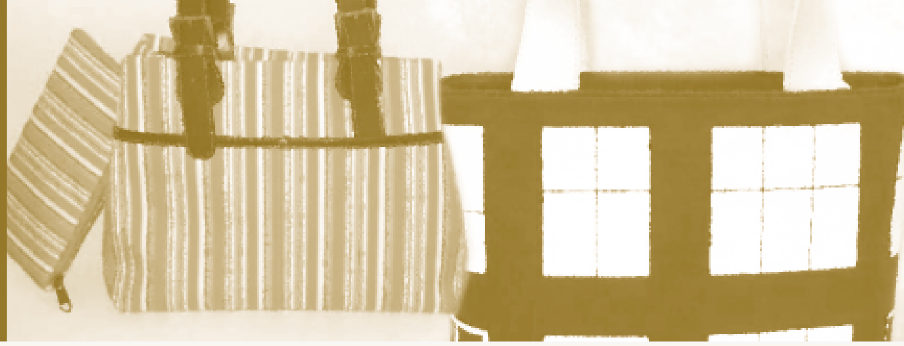
(a) The Group's interests in leasehold land and buildings at their net book values are analysed as follows:

	Group 2003 HK$'000	Group 2002 HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**4,606**	4,704
Outside Hong Kong, held on:		
Leases of over 50 years	**6,354**	6,486
Leases of between 10 to 50 years	**7,448**	7,886
	18,408	19,076

The leasehold land and buildings with leases of between 10 to 50 years were revalued at 4 January 2001 on the basis of their open market value by Chesterton Petty Limited, an independent firm of professional valuers.

(b) The carrying amount of the leasehold land and buildings would have been HK$16,625,000 (2002: HK$17,472,000) had they been stated at cost less accumulated depreciation.

(c) At 31 December 2003, the net book value of fixed assets held by the Group under finance leases amounted to HK$515,000 (2002: HK$225,000).



14. Investments in Subsidiaries

	Company 2003 HK$'000	Company 2002 HK$'000
Unlisted investments, at cost	**16,000**	16,000
Amounts due from subsidiaries *(note b)*	**31,528**	31,565
	47,528	47,565

(a) Details of the subsidiaries at 31 December 2003 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held
Direct interest:				
Glory Access Limited	The British Virgin Islands (The "BVI")	Investment holding in the BVI	2,051,282 ordinary shares of US$1 each	100%
Indirect interest:				
Midland Management Limited	The BVI	Inactive	12,902 ordinary shares of US$1 each	100%
Wallmark Enterprise Company Limited	Hong Kong	Trading of handbag products and related accessories and raw materials in Hong Kong	180,500 ordinary shares of HK$100 each	100%
惠州和實黃氏手袋有限公司 Hui Zhou Wallmark Handbags Co., Ltd.+*#	The PRC	Trading and manufacturing of handbag products and related accessories and provision of related subcontracting services in the PRC	Registered capital HK$13,000,000	100%
Wallmark Enterprise (Cambodia) Co., Ltd.	Kingdom of Cambodia ("Cambodia")	Manufacturing of garments and provision of related subcontracting services in Cambodia	1,000 ordinary shares of US$850 each	100%

\+ For identification purposes only

\# Not audited by RSM Nelson Wheeler, Hong Kong

* Foreign investment enterprise

14. Investments in Subsidiaries (continued)

(b) Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

15. Interests in an Associated Company

	Group	
	2003	2002
	HK$'000	HK$'000
Share of net assets	**27**	437
Amount due to an associated company *(note b)*	**(360)**	(360)
	(333)	77
Investment at cost:		
Unlisted shares	**400**	400

(a) Details of the associated company at 31 December 2003 are as follows:

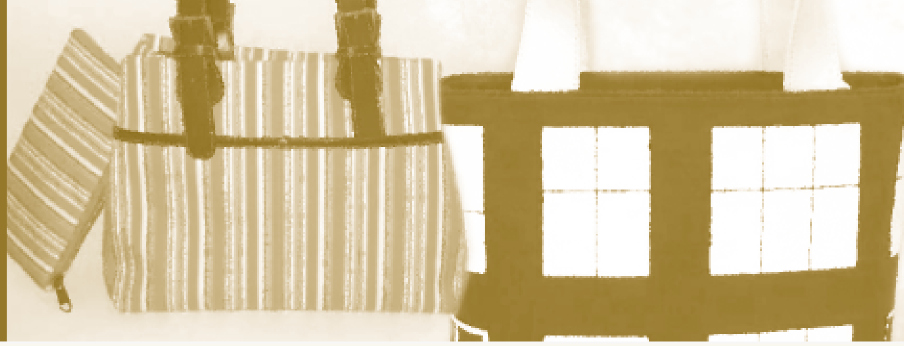
Name	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Interest held indirectly
FX Wealthmark International Limited	Hong Kong	Inactive	400,000 ordinary shares of HK$1 each	40%

(b) Amount due to an associated company is unsecured, interest free and has no fixed terms of repayment.

16. Inventories

	Group	
	2003	2002
	HK$'000	HK$'000
Finished goods	**16,276**	14,210
Work in progress	**2,088**	1,101
Raw materials	**9,330**	12,357
	27,694	27,668

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



17. Trade and Other Receivables

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**78,876**	64,727	**–**	–
Prepayments, deposits and other receivables	**403**	660	**34**	178
	79,279	65,387	**34**	178

(a) At 31 December 2002, included in trade receivables was an amount due from an associated company of HK$1,718,000.

(b) Customers are generally granted credit terms of 30 to 90 days. At 31 December 2003, the ageing analysis of the trade receivables was as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Current to 30 days	**41,467**	20,209
31 – 60 days	**18,890**	16,459
61 – 90 days	**14,823**	7,289
Over 90 days	**3,696**	20,770
	78,876	64,727

18. Bank Balances and Cash

Included in bank balances and cash of the Group as at 31 December 2003 are amounts totalling HK$4,927,000 (2002: HK$948,000) which were held by subsidiaries in the PRC and the remittance of these funds out of the PRC is subject to exchange control regulations.

19. Trade and Other Payables

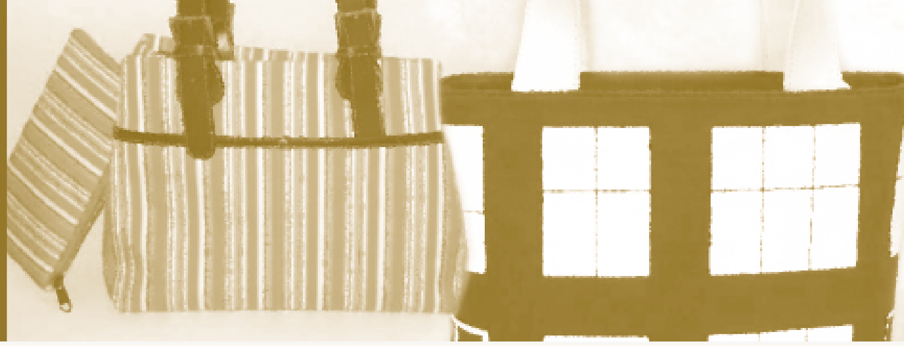
	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and bill payables	**4,855**	4,982	**–**	–
Other payables	**19,009**	14,364	**57**	123
	23,864	19,346	**57**	123

At 31 December 2003, the ageing analysis of the trade and bill payables was as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Current to 30 days	**2,013**	2,606
31 – 60 days	**1,571**	1,343
61 – 90 days	**861**	792
Over 90 days	**410**	241
	4,855	4,982

20. Long-term Liabilities

	Group	
	2003	2002
	HK$'000	HK$'000
Bank loans – unsecured	**28,750**	–
Obligations under finance leases	**376**	73
	29,126	73
Current portion of long-term liabilities	**(11,696)**	(73)
	17,430	–



20. Long-term Liabilities (continued)

At 31 December 2003, the Group's bank loans and present value of finance lease liabilities were payable as follows:

	Bank loans – unsecured		Obligations under finance leases	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**11,500**	–	**196**	73
In the second year	**11,500**	–	**180**	–
In the third to fifth year	**5,750**	–	**–**	–
	28,750	–	**376**	73

At 31 December 2003, the Group's finance lease liabilities were repayable as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Within one year	**204**	94
In the second year	**187**	–
	391	94
Future finance charges on finance leases	**(15)**	(21)
Present value of finance lease liabilities	**376**	73

21. Deferred Taxation

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2002: 16%).

The movement on deferred tax liabilities account is as follows:

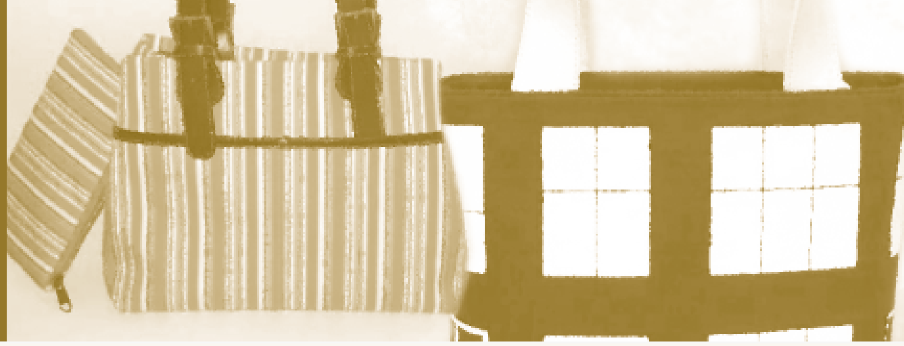
	Group	
		As restated
	2003	2002
	HK$'000	HK$'000
At 1 January	**434**	697
Deferred taxation credited to income statement *(note 6)*	**(146)**	(263)
At 31 December	**288**	434

The major deferred tax liabilities recognised by the Group are as follows:

	Group	
		As restated
	2003	2002
	HK$'000	HK$'000
Accelerated tax depreciation	**137**	434
Others	**151**	–
	288	434

22. Share Capital

	2003	2002
	HK$'000	HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.1 each	**100,000**	100,000
Issued and fully paid:		
200,000,000 ordinary shares of HK$0.1 each	**20,000**	20,000



23. Reserves

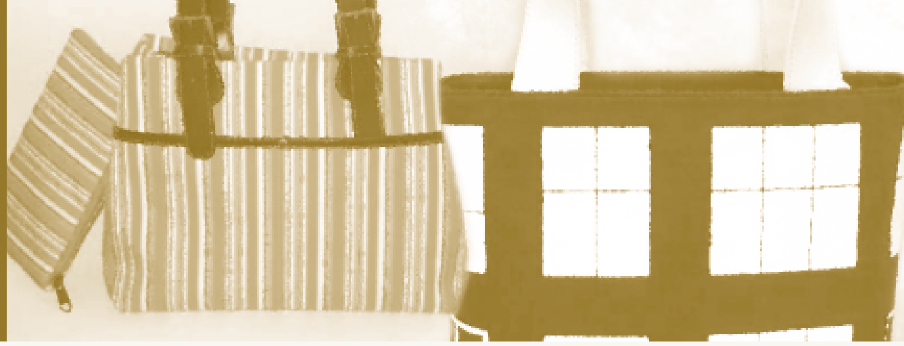
	Group							
	Share premium	Properties revaluation reserve	Merger reserve *(note a)*	Statutory reserve *(note b)*	Exchange difference	Retained earnings	Proposed final dividend	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2002, as previously reported	27,645	406	2,150	2,223	29	13,137	–	45,590
Changes in accounting policy – provision for net deferred tax liabilities *(note 2(m))*	–	(110)	–	–	–	(587)	–	(697)
At 1 January 2002, as restated	27,645	296	2,150	2,223	29	12,550	–	44,893
Exchange differences	–	–	–	–	173	–	–	173
Profit for the year	–	–	–	–	–	13,154	–	13,154
At 31 December 2002	27,645	296	2,150	2,223	202	25,704	–	58,220
Representing:								
Reserves	27,645	296	2,150	2,223	202	25,704	–	58,220
Company and subsidiaries	27,645	296	2,150	2,223	202	25,667	–	58,183
Associated company	–	–	–	–	–	37	–	37
At 31 December 2002	27,645	296	2,150	2,223	202	25,704	–	58,220
At 1 January 2003, as previously reported	27,645	406	2,150	2,223	202	26,028	–	58,654
Changes in accounting policy – provision for net deferred tax liabilities *(note 2(m))*	–	(110)	–	–	–	(324)	–	(434)
At 1 January 2003, as restated	27,645	296	2,150	2,223	202	25,704	–	58,220
Profit for the year	–	–	–	–	–	11,399	–	11,399
Dividend – proposed *(note 8)*	–	–	–	–	–	(5,500)	5,500	–
At 31 December 2003	**27,645**	**296**	**2,150**	**2,223**	**202**	**31,603**	**5,500**	**69,619**
Representing:								
Reserves	27,645	296	2,150	2,223	202	31,603	–	64,119
Proposed final dividend	–	–	–	–	–	–	5,500	5,500
At 31 December 2003	**27,645**	**296**	**2,150**	**2,223**	**202**	**31,603**	**5,500**	**69.619**
Company and subsidiaries	27,645	296	2,150	2,223	202	31,976	5,500	69,992
Associated company	–	–	–	–	–	(373)	–	(373)
At 31 December 2003	**27,645**	**296**	**2,150**	**2,223**	**202**	**31,603**	**5,500**	**69,619**

23. Reserves (continued)

	Company			
	Share premium HK$'000	**Retained earnings/ (accumulated losses) HK$'000**	**Proposed final dividend HK$'000**	**Total HK$'000**
At 1 January 2002	27,645	117	–	27,762
Loss for the year	–	(64)	–	(64)
At 31 December 2002	27,645	53	–	27,698
Representing:				
Reserves	27,645	53	–	27,698
At 1 January 2003	27,645	53	–	27,698
Loss for the year	–	(110)	–	(110)
Dividend – proposed *(note 8)*	–	(5,500)	5,500	–
At 31 December 2003	**27,645**	**(5,557)**	**5,500**	**27,588**
Representing:				
Reserves	27,645	(5,557)	–	22,088
Proposed final dividend	–	–	5,500	5,500
At 31 December 2003	**27,645**	**(5,557)**	**5,500**	**27,588**

(a) The merger reserve of the Group represents the difference between the nominal value of the shares issued and the nominal value of shares of the subsidiaries acquired at the time of the group reorganisation on 29 December 2000.

(b) Statutory reserves comprise enterprise expansion and general reserve funds which represent funds set up by the subsidiary company established and operating in the PRC and form part of the shareholders' funds. According to the relevant PRC regulations, upon approval, the enterprise expansion reserve fund may be used for increasing capital while the general reserve fund may be used for making up losses and increasing capital.



24. Notes to the Consolidated Cash Flow Statement

(a) Analysis of changes in financing during the year

	Share capital including share premium		Bank loans		Obligations under finance leases	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**47,465**	47,645	**4,245**	11,811	**73**	293
Inception of finance leases	**–**	–	**–**	–	**533**	–
Cash inflows/(outflows)	**–**	–	**46,481**	(7,566)	**(230)**	(220)
At 31 December	**47,465**	47,645	**50,726**	4,245	**376**	73

(b) Major non-cash transactions

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$533,000 (2002: HK$Nil).

25. Banking Facilities

At 31 December 2003, the Group had aggregate banking facilities of approximately HK$246,046,000 (2002: HK$206,417,000) in respect of overdrafts, term loans and other trade finance facilities. These banking facilities were secured by corporate guarantees executed by the Company.

Banking facilities utilised at 31 December 2003 amounted to approximately HK$72,805,000 (2002: HK$39,201,000).

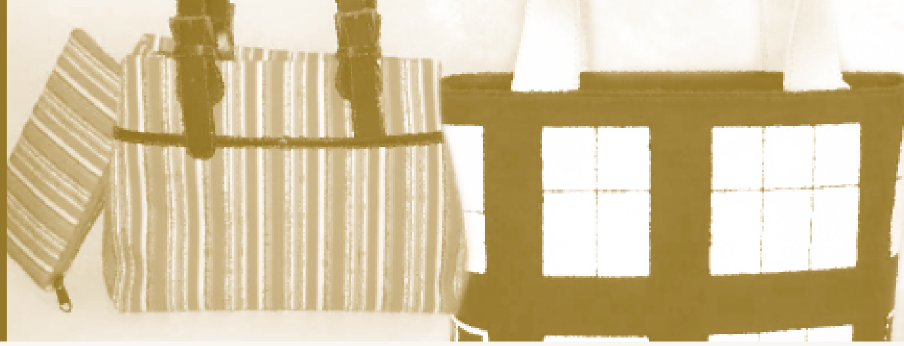
26. Contingent Liabilities

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
(a) Guarantees for bank loans and trust receipt loans of subsidiaries	**–**	–	**72,805**	39,201
Bills of exchange discounted with recourse	**2,630**	4,774	**–**	–
	2,630	4,774	**72,805**	39,201

Management anticipate that no material liabilities will arise from the above bank and other guarantees which arose in the ordinary course of business.

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
(b) Guarantees for banking facilities granted to an associated company	**3,120**	–	**3,120**	–
Amount utilised by the associated company	**–**	–	**–**	–

(c) At 31 December 2003, several employees of the Group and the Company 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 and the Company are 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 and the Company's liability at 31 December 2003 would have been approximately HK$664,000 (2002: HK$576,000). No provision has been made for this amount in the financial statements.



27. Commitments under Operating Leases

At 31 December 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2003 HK$'000	2002 HK$'000
Not later than one year	341	327
Later than one year and not later than five years	412	612
	753	939

28. Related Party Transactions

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	2003 HK$'000	2002 HK$'000
Sales to an associated company	–	3,403

Sales to an associated company were conducted in the normal course of business at prices and terms no less than those charged to and contracted with other third party customers of the Group.

29. Ultimate Holding Company

The Directors regard Wisechoice Assets Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

30. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 20 April 2004.