(31 March 2004)

1. BASIS OF PREPARATION

(a) PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

(b) CONSOLIDATED FINANCIAL STATEMENTS

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated income statement.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants ("HKSA") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain properties, plant and equipment, investment properties and investments in securities. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of securities on The Stock Exchange of Hong Kong Limited.

The Group has adopted the SSAP 12 (revised): Income tax issued by the HKSA which became effective during the current financial year. The adoption of this SSAP has not had any significant impact on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

A summary of the significant accounting policies adopted by the Group is set out below.

(a) REVENUE RECOGNITION

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

(ii) Rental income is recognised on an accrual basis.

(31 March 2004)

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) REVENUE RECOGNITION *(Continued)*

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

(iv) Income from securities and other investments is recognized when the right to receive payment is established.

(v) Subcontracting income is recognised when the services are rendered.

(b) INVESTMENT PROPERTIES

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential with rental income being negotiated at arm's length.

Investment properties are stated at their estimated open market value as determined by the directors at the balance sheet date. Investment properties are not depreciated except where the unexpired term of the lease is 20 years or less in which case depreciation is provided on the carrying amount over the remaining term of the lease.

Investment properties are stated in the balance sheet at their open market value on the basis of period end valuation carried out annually by persons holding a recognised professional qualification in valuing properties and having recent post-qualification experience in valuing properties in the location and in the category of the properties concerned; and at least every year by an external valuer with similar qualifications. Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining periods of the leases.

Changes in the value of investment properties is treated as movements in an investment property revaluation reserve, unless the total of this reserve is insufficient to cover a deficit on a portfolio basis, in which case the amount by which the deficit exceeds the total amount in the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged. Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the income statement.

(c) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment other than investment properties and other properties are stated at cost less accumulated depreciation and impairment losses.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Other properties are interests in land and buildings other than investment properties and are stated at valuation. Independent valuations are performed every year. In the intervening years, the directors review the carrying amount of the other properties and adjustment is made where there has been a material change. Increases in valuation are credited to the other properties revaluation reserve. Decreases in valuation are first set off 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.

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives to the company.

The gain or loss on disposal of property, plant and equipment other than investment properties 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.

(d) ASSETS UNDER LEASES

(i) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals receivables/payables under such operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective lease.

(ii) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in Note 2(e). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(f). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in Note 2(a)(ii).

(iii) Operating leases charges

Where the Group has the use of assets under operating leases, payments made under the lease are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) AMORTISATION AND DEPRECIATION

Depreciation is not provided for freehold land. Property, plant and equipment are depreciated at rates sufficient to write off their cost/valuation less accumulated impairment loss over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land	Over the lease term
Buildings	2-5% or over the lease term, if shorter
Furniture and fixtures	10-20%
Office equipment	10-20%
Plant and machinery	5-20%
Motor vehicles	10-20%
Leasehold improvements	10-20%

(f) IMPAIRMENT OF ASSETS

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– interests in subsidiaries and associates (except for those accounted for at fair value); and

– positive goodwill (whether taken initially to reserves or recognised as an asset).

If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, or are amortised over more than 20 years from the date when the asset is available for use or goodwill that is amortised over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) IMPAIRMENT OF ASSETS *(Continued)*

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(g) GOODWILL

Goodwill, which represents the excess of purchase consideration over the fair values ascribed to the separable net assets of subsidiaries, associates and jointly controlled entities acquired at the date of acquisition, is stated at cost and amortized by equal annual instalments over its estimated useful economic life of ten years. Negative goodwill is credited directly to reserves.

Goodwill on acquisitions that occurred prior to 1 April 2001 was written off against reserves, goodwill on acquisitions occurring on or after 1 April 2001 is recognised as an asset and is amortised over its estimated useful life.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions after 1 April 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of the non-monetary assets is recognised in the income statement immediately.

The gain or loss on the disposal of subsidiary or associate represent the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves which was not previously charged or recognised in the consolidated income statement.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) SUBSIDIARIES

A subsidiary is a company in which the Group or the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Investments in subsidiaries in the balance sheet are stated at cost less identified impairment loss. The results of subsidiaries are accounted to the extent of dividends received and receivable.

(i) ASSOCIATES

An associate is a company in which the Group or the Company has significant influence and which is neither a subsidiary nor a joint venture of the Company.

The investments in associates are stated at cost less provision, if necessary, for any impairment loss, such provision being determined for each associate individually. The results of associates are accounted for to the extent of dividends received and receivable.

The investments in associates are accounted for in the consolidated balance sheet under the equity method whereby the investments are initially recorded at cost and adjusted thereafter for the post acquisition change in the Company's share of net assets of the associates. The results of the associates are accounted for in the consolidated income statement to the extent of the Company's share of the associates' results of operations.

(j) INVESTMENTS IN SECURITIES

Investments in debt and equity securities held for an identified long-term or strategic purpose are stated at cost less provision for impairment in value. Results of investments are accounted for to the extent of dividend and interest income.

Investments in debt securities which are intended to be held to maturity are measured at amortized cost, less any impairment losses recognised, if necessary, in the balance sheet. The amortisation of any discount or premium arising on acquisition is aggregated with other investment income receivable over the period from the date of acquisition to the date of maturity so as to give a constant yield on the investment.

Investments in debts and equity securities held not on a continuing basis identified long-term purpose are classified as short-term investment, which are stated at fair values with unrealized gains or losses included in the income statement using the benchmark treatment.

Gain or loss on disposal of investments in securities, representing the difference between the net sale proceeds and the carrying amount of the securities, is recognised in the income statement in the period in which the disposal occurs.

(31 March 2004)

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on a first-in, first-out basis, comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) TRADE RECEIVABLE

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

(m) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the Company 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.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) INCOME TAX

(i) Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in reserves, in which case they are recognised in reserves.

(ii) Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) INCOME TAX *(Continued)*

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted. The carrying amount of deferred tax assets/liabilities is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group and the Company has the legally enforceable right to set off current tax assets against current tax liabilities. The principle of offsetting usually applies to income tax levied by the same tax authority on same taxable entity.

(o) CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfil the above criteria.

For the purposes of the cash flow statement, cash equivalents would also include bank overdrafts and advances from banks repayable within three months from the date of the advance.

(p) TRANSLATION OF FOREIGN CURRENCIES

Transactions in foreign currencies during the year 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 results of foreign enterprises are translated into Hong Kong dollars at the average exchange rate for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) TRANSLATION OF FOREIGN CURRENCIES *(Continued)*

On disposal of a foreign enterprise, the cumulative amount of the exchange differences which relate to that foreign enterprise is included in the calculation of the profit or loss on disposal.

(q) BORROWING COSTS

Borrowing costs are interests and other costs incurred in connection with the borrowings of funds. The borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the year in which they are incurred.

(r) EMPLOYEE BENEFITS

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the company of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Provision is made in respect of paid leave entitlement accumulated during the year, which can be carried forward into future periods for compensated absence or payment in lieu if the employee leaves employment.

The Group operates a defined contribution retirement schemes and the regular cost of providing retirement benefits is charged to the income statement over the expected service lives of the members of the scheme on the basis of level percentages of pensionable pay. Variations from regular cost arising from triennial actuarial valuations are allocated to the income statement over the expected remaining service lives of the members.

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Scheme Ordinance are charged to the income statement when incurred.

(s) RELATED PARTIES

Two 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.

(t) SEGMENT REPORTING

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, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

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2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) SEGMENT REPORTING *(Continued)*

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

3. TURNOVER AND REVENUE

The principal activities of the Group are sale of finished leathers, manufacture of leather handbags, sale of leatherware products and investment holding.

Turnover represented sale value of goods supplied to customers (after deduction of any goods returns and trade discounts). The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2004 ***HK$***	2003 *HK$*
Turnover		
Continuing operations		
Leather trading	**192,155,992**	115,302,202
Leatherware manufacturing	**8,103,308**	8,881,514
	200,259,300	124,183,716
Discontinuing operation		
Leatherware distribution	**7,642,684**	30,541,866
	207,901,984	154,725,582
Other revenue		
Bad debts recovered	**8,075,000**	–
Interest income	**77,055**	231,923
Gross rental income from investment properties	**820,126**	575,478
Net unrealized holding gain on short-term investments	**223,608**	–
Net realized gain on short-term investments	**158,641**	–
Subcontracting income	**273,976**	690,480
	9,628,406	1,497,881
Total revenue	**217,530,390**	156,223,463

(31 March 2004)

4. SEGMENT INFORMATION

Business segments

In accordance with the Group's internal financial reporting and management purposes, the Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format, with each segment organised and managed separately.

Principal activities are as follows:

Leather trading	:	Trading of finished leather
Leatherware manufacturing	:	Manufacture of leather handbags
Leatherware distribution	:	Retail of leather handbags

The Group's inter-segment transactions were mainly related to sales of leather handbags and finished leather. Terms of sales were similar to those contracted with third parties. Activities included in Corporate have been re-defined in this year for the purpose of better evaluating the performance of segment results.

The operation of leatherware distribution was discontinued with effect from 14 August 2003 (see Note 7 to financial statements).

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4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Segment information about these business is presented below.

2004:

	Continuing operations			Discontinuing operation		
	Leather trading	Leatherware manufacturing	Corporate	Leatherware distribution	Elimination	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Segment revenue						
External customers	192,155,992	8,103,308	–	7,642,684	–	207,901,984
Inter-segments	729,503	5,184,505	–	–	(5,914,008)	–
	192,885,495	13,287,813	–	7,642,684	(5,914,008)	207,901,984
Segment results	9,129,563	(8,095,511)	(41,003,433)	(1,604,577)	45,172,796	3,598,838
Finance costs						(998,839)
Loss on disposal of discontinued operations						(3,090,905)
Minority interests						–
Net loss attributable to shareholders						(490,906)
Segment assets	100,489,004	18,253,705	169,452,552	–	(114,545,373)	173,649,888
Segment liabilities	137,154,319	40,940,758	26,716,317	–	(130,449,527)	74,361,867
Other segment information:						
Capital expenditure	837,175	24,185	6,520	–	–	867,880
Depreciation and amortisation	1,935,228	1,434,198	5,464	154,474	–	3,529,364
Impairment loss (reversed)/recognised on property, plant and equipment	(1,857,328)	1,263,866	–	–	–	(593,462)

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2003:

	Continuing operations			Discontinuing operation		
	Leather trading	**Leatherware manufacturing**	**Corporate**	**Leatherware distribution**	**Elimination**	**Total**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Segment revenue						
External customers	115,302,202	8,881,514	–	30,541,866	–	154,725,582
Inter-segments	1,153,842	5,673,251	–	–	(6,827,093)	–
	116,456,044	14,554,765	–	30,541,866	(6,827,093)	154,725,582
Segment results	(8,800,662)	(8,926,972)	(4,369,577)	(5,568,247)	13,862,267	(13,803,191)
Finance costs						(2,419,891)
Minority interests						221,934
Net loss attributable to shareholders						(16,001,148)
Segment assets	88,769,750	23,624,366	108,080,263	11,124,757	(103,765,562)	127,833,574
Segment liabilities	158,651,551	38,022,951	14,933,763	23,370,419	(172,517,294)	62,461,390
Other segment information:						
Capital expenditure	20,684	1,135,140	–	4,208	–	1,160,032
Depreciation and amortisation	1,962,124	1,365,335	2,340	585,837	–	3,915,636
Impairment loss recognised on property, plant and equipment	760,000	–	–	–	–	760,000

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4. SEGMENT INFORMATION *(Continued)*

Geographical segments

The Group operations are located in Hong Kong, the People's Republic of China and Australia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		Other regions in the People's Republic of China		Australia		Others		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Revenue from external customers	**200,259,300**	79,740,111	**–**	35,659,263	**7,642,684**	30,581,611	**–**	8,744,597	**207,901,984**	154,725,582
Segment assets	**145,793,561**	84,711,480	**27,856,327**	32,206,314	**–**	10,915,780	**–**	–	**173,649,888**	127,833,574
Capital expenditure	**850,075**	1,155,824	**17,805**	–	**–**	4,208	**–**	–	**867,880**	1,160,032

Revenue from the Group discontinuing operation was derived principally from Australia of HK$7,642,684 (2003: HK$30,581,611).

5. FINANCE COSTS

	The Group	
	2004	2003
	HK$	*HK$*
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**990,333**	2,366,266
Finance charges on obligations under finance leases	**8,506**	53,625
	998,839	2,419,891

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6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging/(crediting):

	The Group	
	2004	2003
	HK$	*HK$*
Charging:		
Staff costs		
Directors' emoluments *(Note 8)*	**3,488,000**	5,718,568
Others	**11,297,529**	14,345,429
Provision for long service payments	**–**	2,310,000
Retirement benefits scheme contributions *(Note 10)* (including directors of HK$24,000; 2003: HK$135,035)	**368,287**	720,955
	15,153,816	23,094,952
Auditors' remuneration:		
Current year	**1,120,069**	851,956
Under-provision in previous year	**241,208**	307,865
	1,361,277	1,159,821
Cost of inventories	**179,614,117**	125,217,607
Depreciation of property, plant and equipment:		
Assets held for use under operating leases	**–**	122,349
Owned assets	**3,529,364**	3,793,287
Impairment loss recognised on property, plant and equipment	**1,263,866**	760,000
Loss on disposal of property, plant and equipment	**117,470**	175,895
Net foreign exchange losses	**794,987**	523,292
Operating lease charges:		
Premises	**1,048,206**	2,081,437
Provision for slow-moving inventories	**678,740**	–
Crediting:		
Bad debts recovered	**(8,075,000)**	–
Rental income from investment property under operating leases net of outgoings	**(132,000)**	(143,500)
Rental income from other properties under operating leases net of outgoings	**(595,033)**	(431,978)
Impairment loss reversed on property, plant and equipment	**(1,857,328)**	–
Net realized gain on short-term investments	**(158,641)**	–
Net unrealized holding gains on short-term investments	**(223,608)**	–

7. DISCONTINUING OPERATION

In July 2003, the Group entered into sale and purchase agreements to dispose of its investments in Australian subsidiaries, Paragold Distributors Pty Limited and (In) Case Pty Limited, and a debt owed amounting to HK$2,750,000 to the Group for a total consideration of HK$3,650,002. The disposal was completed and settled on 14 August 2003. The Australian subsidiaries disposed of is engaged in retailing of leather handbags business.

The results of the discontinuing operation for the period from 1 April 2003 to 14 August 2003, which have been included in the financial statements, were as follows:

	1/4/2003 to 14/8/2003	**1/4/2002 to 31/3/2003**
	HK$	*HK$*
Turnover	7,642,684	30,581,611
Cost of sales	(4,667,140)	(21,876,090)
Gross profit	2,975,544	8,705,521
Other revenue	–	114,260
Selling and distribution costs	–	(2,547,314)
Administrative expenses	(4,580,133)	(11,726,455)
Loss from operations	(1,604,589)	(5,453,988)
Finance costs	(97,157)	(364,405)
Loss before taxation	(1,701,746)	(5,818,393)
Taxation	–	–
Loss after taxation	(1,701,746)	(5,818,393)

7. DISCONTINUING OPERATION *(Continued)*

The assets and liabilities of the discontinuing operation disposed of are as follows:

	2004	2003
	HK$	*HK$*
Property, plant and equipment	**784,516**	871,011
Inventories	**6,526,863**	5,970,764
Trade and other receivables	**3,270,732**	3,667,131
Tax recoverable	**16,928**	663,840
Bank balances and cash	**–**	2,648
Goodwill reserves	**1,012,705**	1,012,705
Total assets	**11,611,744**	12,188,099
Bank overdrafts	**(41,193)**	–
Due to related companies	**(3,893,962)**	(4,248,366)
Trade and other payables and trust receipt loans	**(7,123,474)**	(5,876,493)
Obligations under finance lease	**(207,221)**	(137,779)
Exchange reserves	**3,645,013**	3,767,190
Net assets	**3,990,907**	5,692,651

8. DIRECTORS' EMOLUMENTS

	2004	2003
	HK$	*HK$*
Other emoluments:		
Salaries and other benefits	**3,488,000**	5,718,568
Contributions to retirement benefits scheme	**24,000**	135,035
	3,512,000	5,853,603

8. DIRECTORS' EMOLUMENTS *(Continued)*

The remuneration of the directors is within the following bands

	2004	2003
	Number of directors	*Number of directors*
HK$Nil to HK$1,000,000	**7**	11
HK$1,000,001 to HK$1,500,000	**–**	1
HK$3,000,001 to HK$3,500,000	**1**	1
	8	13

During the year, no emoluments were paid by the Group to the directors as a discretionary bonus or any inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any remuneration for the current or prior years.

Included in the directors' remuneration were fees of HK$320,000 (2003: HK$326,670) and HK$160,000 (2003: HK$Nil) paid to the independent non-executive directors and the non-executive directors respectively during the year.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, the five highest paid individuals included one (2003: two) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining four (2003: three) highest paid individuals were as follows:

	2004	2003
	HK$	*HK$*
Salaries and other benefits	**2,437,900**	1,758,900
Contributions to retirement benefits scheme	**72,000**	24,000
	2,509,900	1,782,900

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9. INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

The emoluments of the four (2003: three) individuals with the highest emoluments are within the following bands:

	2004 **Number of individuals**	2003 Number of individuals
HK$Nil to HK$1,000,000	**4**	3

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

10. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS

	The Group	
	2004	2003
	HK$	*HK$*
Contributions:		
Hong Kong subsidiaries *(Note a)*	**207,934**	278,098
Overseas subsidiaries *(Note b)*	**160,353**	442,857
	368,287	720,955

Note:

(a) The Group operates a pension scheme under the rules and regulations of Mandatory Provident Fund Schemes Ordinance ("MPF Scheme"). The assets of the MPF Scheme are held separately in an independently managed fund. The Group has followed the minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The contributions are charged to the income statement as incurred.

(b) The employees of overseas subsidiaries are members of the central pension schemes operated by the governments of the countries in which they operate. These subsidiaries are required to contribute a certain percentage of their payroll to the central pension schemes to fund the benefits. The only obligation of the Group with respect to the central pension schemes is the payment of the required contributions under the central pension schemes.

11. TAXATION

No Hong Kong profits tax has been provided for in the financial statements as the Group has accumulated tax losses brought forward which exceed the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the relevant jurisdictions.

Reconciliation of the taxation charge and accounting loss at applicable tax rate:

	2004	2003
	HK$	*HK$*
Loss before taxation	**(490,906)**	(16,223,082)
Notional tax on loss before tax of 17.5% (2003: 16%)	**(85,909)**	(2,595,693)
Tax effect of:		
– non-deductible expenses	**15,148,726**	1,083,736
– non-taxable income	**(15,879,005)**	(1,669,624)
– previous tax utilized in current year	**(1,206,752)**	(311,974)
– unused tax losses arise in current year	**3,004,377**	4,907,509
– different in tax rate in other countries	**(1,132,782)**	(1,550,582)
– temporary differences recognized	**151,345**	136,628
	–	–

There were no material unprovided deferred taxation for the year.

12. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The consolidated loss attributable to shareholders includes a loss of HK$42,910,358 (2003: HK$21,204,821) which has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders of HK$490,906 (2003: HK$16,001,148) and on the weighted average number of 867,770,937 (2003: 756,685,700) ordinary shares in issue during the year.

Diluted loss per share is not presented as the Company has no dilutive potential shares as at 31 March 2004 (2003: HK$Nil).

14. INVESTMENT PROPERTY

	The Group	
	2004	2003
	HK$	*HK$*
Valuation		
At 1 April	**3,400,000**	3,550,000
Revaluation surplus / (deficit)	**300,000**	(150,000)
At 31 March	**3,700,000**	3,400,000

(a) The investment property is situated in Hong Kong and is held under long term lease.

(b) The investment property was revalued at 31 March 2004 on the basis of their open market value by Messrs. Sallmanns (Far East) Limited, Chartered Surveyors. The surplus of HK$300,000 (2003: deficit of HK$150,000) arising on revaluation has been credited/(charged) to the investment property revaluation reserve.

(c) The Group leases out investment property under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals. The gross amount of assets held for use in operating leases and the related accumulated depreciation charges at the balance sheet date amounted to HK$3,700,000 (2003: HK$3,400,000) and HK$Nil (2003: HK$Nil) respectively.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2004	2003
	HK$	*HK$*
Within 1 year	**874,508**	827,064
After 1 year but within 5 years	**949,532**	547,298
	1,824,040	1,374,362

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15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold land and buildings HK$	Furniture and fixtures HK$	Office equipment HK$	Plant and machinery HK$	Motor vehicles HK$	Leasehold improvement HK$	Total HK$
At Cost							
At 1 April 2003	66,655,923	2,746,156	3,676,667	11,004,153	3,166,269	8,437,642	95,686,810
Addition	–	–	111,874	11,284	744,721	–	867,879
Disposal	–	–	(2,430)	–	(530,000)	–	(532,430)
Acquisition of subsidiaries	–	–	–	4,087,214	–	–	4,087,214
Disposal of subsidiaries	–	(1,873,046)	(1,242,437)	(855,211)	(946,109)	(183,924)	(5,100,727)
Exchange alignment	–	120,471	79,912	55,006	60,853	11,830	328,072
At 31 March 2004	**66,655,923**	**993,581**	**2,623,586**	**14,302,446**	**2,495,734**	**8,265,548**	**95,336,818**
Accumulated depreciation and impairment charge							
At 1 April 2003	29,204,983	2,270,308	3,217,561	8,399,575	1,362,777	5,612,188	50,067,392
Charge for the year	1,149,885	167,161	158,099	1,141,970	373,329	538,920	3,529,364
Impairment (reversed)/charge	(1,857,328)	–	–	–	–	1,263,866	(593,462)
Acquisition of subsidiaries	–	–	–	247,343	–	–	247,343
Disposals of subsidiaries	–	(1,654,387)	(1,242,437)	(855,210)	(480,864)	(83,313)	(4,316,211)
Eliminated on disposal	–	–	(2,430)	–	(162,500)	–	(164,930)
Exchange alignment	–	97,719	77,955	51,484	28,455	4,480	260,093
At 31 March 2004	**28,497,540**	**880,801**	**2,208,748**	**8,985,162**	**1,121,197**	**7,336,141**	**49,029,589**
Net book value							
At 31 March 2004	**38,158,383**	**112,780**	**414,838**	**5,317,284**	**1,374,537**	**929,407**	**46,307,229**
At 31 March 2003	37,450,940	475,848	459,106	2,604,578	1,803,492	2,825,454	45,619,418

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group *(Continued)*

The net book value of land and buildings held by the Group at the balance sheet date shown above comprised:

	The Group	
	2004	2003
	HK$	*HK$*
Land in Hong Kong:		
Medium-term leases	**22,233,827**	21,380,610
Land outside Hong Kong:		
Long-term leases	**11,506,480**	4,508,627
Medium-term leases	**4,418,076**	11,561,703
	38,158,383	37,450,940

Property, plant and equipment include gross amount of HK$6,833,456 (2003: HK$6,833,456), accumulated depreciation of HK$1,253,493 (2003: HK$1,131,145) and accumulated impairment losses of HK$Nil (2003: HK$Nil) in respect of assets held for use under operating leases.

The net book value of the Group's property, plant and equipment includes an amount of HK$Nil (2003: HK$314,005) in respect of assets held under finance leases.

The Company

	Office equipment
	HK$
Cost	
At 1 April 2003 and at 31 March 2004	65,500
Accumulated depreciation	
At 1 April 2003	60,035
Charge for the year	5,465
At 31 March 2004	**65,500**
Net book value	
At 31 March 2004	**–**
At 31 March 2003	5,465

(31 March 2004)

16. INTERESTS IN SUBSIDIARIES

	The Company 2004 HK$	2003 HK$
Unlisted shares, at cost	**60,000,016**	22,641,818
Provision for impairment loss	**–**	(22,641,818)
	60,000,016	–
Due from subsidiaries	**85,106,061**	111,900,395
Provision for bad and doubtful debts	**(85,106,061)**	(40,074,182)
	–	71,826,213
	60,000,016	71,826,213
Due to subsidiaries	**16**	–

(a) The amounts due from subsidiaries are unsecured and interest-free. In the opinion of the directors, the amounts will not be repaid in the next twelve months.

(b) The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Details of the principal subsidiaries at the balance sheet date are as follows:

Name	Country of incorporation/ registration and operation	Class of share held	Percentage of equity interest held in issued capital/ registered capital Directly	Indirectly	Principal activities
Pathway International Limited#	British Virgin Islands ("BVI")	1 ordinary share of US$1 each	100%	–	Investment holding
Dah Hwa Leather & Trading Co., Limited#	Hong Kong	5,000 ordinary shares of HK$100 each	–	100%	Trading of finished leather
Guangdong Faith Investment Limited#	Hong Kong	2,280,000 ordinary shares of HK$1 each	–	100%	Investment holding
Inter Leather Limited#	Hong Kong	100,000 ordinary shares of HK$1 each	–	100%	Exporter of leatherware

(31 March 2004)

16. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Country of incorporation/ registration and operation	Class of share held	Percentage of equity interest held in issued capital/ registered capital Directly	Indirectly	Principal activities
Da Ya Leather Co., Limited#	People's Republic of China ("PRC")	US$700,000	–	80%*	Processing of finished leather
Zhong Da Handbag Co., Limited#	PRC	HK$8,260,000	–	60%*	Manufacture of leatherware products
China Heathcare Limited	Hong Kong	6,600,000 ordinary shares of HK$1 each	–	100%	Investment holding
China Hifu Tumor Treatment and Medical Co., Limited	Hong Kong	6,000,000 ordinary shares of HK$1 each	–	100%	Investment holding
Healthforce Inc.	BVI	1 ordinary share of US$1 each	–	100%	Investment holding
Chongqing Hai Jian Medical Technology Co., Limited	PRC	RMB1,000,000	–	100%@	Rendering services on medical and healthcare facilities
Canasta Overseas Group Limited	BVI	1 ordinary share of US$1 each	100%	–	Investment holding
Prospect Sync Holdings Limited	BVI	1 ordinary share of US$1 each	100%	–	Investment holding

Companies not audited by Charles Chan, Ip & Fung, CPA Ltd.

* These subsidiaries were equity joint venture companies established by the Group with independent third party in the PRC. Under the management agreements with the PRC party, the Group is entitled to all of the net results of the operation after payment of fixed amount as management fees to the PRC party each year during the term of the management agreements. The Group therefore effectively has 100% attributable economic interests in these subsidiaries.

@ wholly foreign-owned enterprise established in the PRC to be operated for 20 years up to 10 December 2022 which operating license can be renewed.

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16. INTERESTS IN SUBSIDIARIES *(Continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. INTERESTS IN AN ASSOCIATE

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$	*HK$*	***HK$***	*HK$*
Unlisted shares, at cost	**–**	–	**35,720,000**	35,720,000
Share of net assets	**909,695***	–	**–**	–
Provision for impairment loss	**–**	–	**(35,720,000)**	(35,720,000)
	909,695	–	**–**	–

Investment in the associate represents 49% of the US$3,202,991 registered capital of Shenzhen Petrochemical Chemical Fibres Co., Ltd. ("SPCF"), a company engaged in processing of plastics and chemical products. SPCF is an equity joint venture company established in the PRC. The remaining 51% equity interest is held by a company listed on the Shenzhen Stock Exchange (the "JV Partner"). The JV Partner has control over the board of directors of SPCF and is responsible for the daily operations of SPCF.

As the Group does not have any obligations to further finance the associate, the Group has accounted for its share of the loss of the associate only up to the carrying value of the associate and the debit balance standing in the exchange translation reserve. The Group's interest in the associate has thus been reduced to zero and the Group has discontinued the recognition of further losses of this associate.

On 10 March 2004, the Company has entered into sale and purchase agreement with a third party to sell its interests in the associate company at a consideration of HK$100,000. The transaction is completed on 5 May 2004.

As at 31 March 2004, the Group's interests in an associate represent 20% (82,179 ordinary shares of CAD1 each), indirectly held, of the equity interest in 999 E-Tech Inc., a company incorporated in Canada. The principal activity of the company is franchising business of medical centre.

* Based on the unaudited accounts as at 31 December 2003.

18. OTHER INVESTMENTS

	The Group	
	2004	2003
	HK$	*HK$*
Unlisted shares, at cost	**7,000,000**	–

19. GOODWILL

	The Group	
	2004	2003
	HK$	*HK$*
Additions and at 31 March 2004	**53,993,572**	–

During the year, the Company has acquired the subsidiaries resulting in goodwill arising from the acquisition of HK$53,993,572. Since the acquisition is completed on 31 March 2004, no amortization charge is included in the consolidated income statement. The Group's accounting policy of the amortization on goodwill is mentioned in Note 2(g) to the financial statements.

20. INVENTORIES

	The Group	
	2004	2003
	HK$	*HK$*
Raw materials	**832,632**	2,451,470
Work in progress	**492,078**	527,291
Finished goods and merchandise	**21,089,369**	21,286,111
	22,414,079	24,264,872

The amount of inventories, included in above, carried at net realisable value is HK$21,922,001 (2003: HK$23,946,558).

21. TRADE AND OTHER RECEIVABLES

All trade receivables are expected to be recovered within 30 to 60 days with credit term under the Group's policy. Included in trade receivables are trade debtors (net of specific allowances for bad and doubtful debts) with the following ageing analysis:

	The Group	
	2004	2003
	HK$	*HK$*
Trade receivables		
Within 30 days	**8,989,958**	1,860,181
31 – 60 days	**191,531**	2,171,136
61 – 90 days	**41,670**	316,531
Over 90 days	**96,502**	6,106,219
	9,319,661	10,454,067
Other receivables	**23,406,779**	1,882,838
	32,726,440	12,336,905

22. SHORT-TERM INVESTMENTS

	The Group	
	2004	2003
	HK$	*HK$*
Unlisted share, at cost	**–**	2,100,000
Less: Advance	**–**	34,000,000
	–	36,100,000
Listed shares in Hong Kong, at cost	**3,720,400**	–
	3,720,400	36,100,000
Market value	**3,720,400**	N/A

In July 2002, the Group entered into an agreement to acquire a 100% equity interest in a company incorporated in the British Virgin Islands, Hoome Technology Limited ("Hoome"), at a consideration of HK$2,100,000. Included in the acquisition agreement is an option whereby the Group has the right to sell the interest in Hoome back to the vendor at the original consideration for the period from 8 August 2002 to 7 August 2003. The principal asset of Hoome is an investment in a property project in the PRC. Since acquisition, the Group has made a further advance totaling HK$34,000,000 to finance the investment.

During the year, the Group has sold all interest in Hoome back to vendor at the original consideration of HK$2,100,000. During the year, Hoome repaid part of the advance amounting to HK$17,160,000 to the Group. Pursuant to a loan assignment dated 30 April 2004, the remaining balance of the advance of HK$16,840,000 has been set off with CEPA Invest Group Limited as a partial settlement of the Loan Notes of HK$18,240,000 as set out in Note 25 to financial statements. As at 31 March 2004, the outstanding amount of advance is classified as "Other receivables" amounting to HK$16,840,000 in Note 21 to the financial statements.

23. TRADE AND OTHER PAYABLES

Included in trade payables are trade creditors with the following ageing:

	The Group	
	2004	2003
	HK$	*HK$*
Trade payables		
Within 30 days	**3,482,075**	3,661,595
31 – 60 days	**441,979**	133,409
61 – 90 days	**270,899**	158,836
Over 90 days	**708,733**	–
	4,903,686	3,953,840
Other payables	**17,695,819**	7,602,281
	22,599,505	11,556,121

24. INTEREST-BEARING BORROWINGS

	The Group	
	2004	2003
	HK$	*HK$*
Bank loans, secured	**11,980,238**	13,583,622
Trust receipt loans, secured	**18,591,643**	20,339,012
Obligations under finance leases	**–**	287,259
	30,571,881	34,209,893
Current portion	**19,530,575**	22,077,590
Non-current portion	**11,041,306**	12,132,303
	30,571,881	34,209,893

The maturity of the above interest-bearing borrowings are as follows:

(a) Secured bank borrowings:

	2004	2003
	HK$	*HK$*
Within one year	**19,530,575**	21,939,811
In the second year	**661,321**	938,824
In the third to fifth years	**2,414,521**	2,258,972
After five years	**7,965,464**	8,785,027
	30,571,881	33,922,634

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24. INTEREST-BEARING BORROWINGS *(Continued)*

(b) Obligations under finance leases:

	Minimum lease payments		Present value of minimum lease payments	
	2004	2003	**2004**	2003
	HK$	*HK$*	***HK$***	*HK$*
Amount payable:				
Within one year	–	154,700	–	137,779
In the second to fifth years	–	153,982	–	149,480
	–	308,682	–	287,259
Future finance charges	–	(21,423)	–	–
Present value of lease obligations	–	287,259	–	287,259

During the year, the Group has disposed of the subsidiaries, then there is no obligations under finance leases as at 31 March 2004.

25. LOAN NOTES

	The Group and The Company	
	2004	2003
	HK$	*HK$*
2.5% unsecured promissory notes, by remaining maturity within 2 years	**18,240,000**	–

Pursuant to sale and purchase agreement dated 28 January 2004, the Company has agreed to acquire the subsidiaries for an aggregate consideration of HK$60,000,000 to the independent third parties, the vendors. The partial purchase consideration of HK$18,240,000 is satisfied by the issue of 2.5% promissory notes to the vendors.

26. ISSUED CAPITAL

	2004		2003	
	Number of shares	***HK$***	Number of shares	*HK$*
Authorised:				
Ordinary shares of HK$0.05 each	**1,800,000,000**	**90,000,000**	1,800,000,000	90,000,000

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26. ISSUED CAPITAL *(Continued)*

	Number of ordinary shares of HK$0.05 each	Nominal value *HK$*
Issued and fully paid:		
At 1 April 2002 and at 31 March 2003	756,685,700	37,834,285
Private placing	151,337,140	7,566,857
Issue of shares	170,000,000	8,500,000
At 31 March 2004	**1,078,022,840**	**53,901,142**

Pursuant to a subscription agreement dated 7 October 2003, 151,337,140 new ordinary shares of HK$0.05 each were issued at HK$0.05 to independent third parties. The net cash proceeds of approximately HK$7,415,637 from the issue were used as general working capital. The shares issued rank pari passu in all respects with the then existing shares.

On 19 January 2004, the Company entered into sale and purchase agreement concerning the sales and purchase of the entired issued share capital of China Healthcare Limited for an aggregate consideration of HK$60,000,000. The partial consideration is satisfied by the Company to issue of 170,000,000 new shares at an issue price of HK$0.128 per share to the vendors. The shares issued rank pari passu in all respects with the then existing shares.

27. SHARE OPTION SCHEME

On 17 September 1993, a Share Option Scheme (the "Scheme") was approved by the shareholders under which the directors may grant options to employees of the Group, including any directors of the Company, to subscribe for shares of the Company. The Scheme is for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The subscription price will be determined by the directors and will not be less than 80% of the average of the closing prices of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the options or the nominal amount of the shares. The maximum number of shares in respect of which options may be granted under the scheme may not exceed, in nominal amount, 10% of the issued share capital of the Company, and the maximum entitlement of each eligible participants shall not exceed 25% of the total number of shares for which options may be granted under the Scheme.

The option under the Scheme may be exercised at any time during a period of ten years commencing on the date of grant of option. The Scheme will remain in force for 10 years commencing from 17 September 1993. No options have been granted to any director or employee under the Scheme since 17 September 1993. The scheme was expired on 16 September 2003.

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28. RESERVES

The Group

	Share premium HK$	Capital redemption reserve HK$	Goodwill reserve HK$	Investment property revaluation reserve HK$	Translation reserve HK$	Accumulated losses HK$	Total HK$
At 1 April 2002	136,936,240	68,600	2,145,921	1,499,561	(4,502,283)	(93,320,768)	42,827,271
Revaluation deficit on investment properties	–	–	–	(150,000)	–	–	(150,000)
Exchange difference arising on translation	–	–	–	–	512,486	–	512,486
Net loss for the year	–	–	–	–	–	(16,001,148)	(16,001,148)
At 31 March 2003	136,936,240	68,600	2,145,921	1,349,561	(3,989,797)	(109,321,916)	27,188,609
Issue of shares at premium	13,260,000	–	–	–	–	–	13,260,000
Revaluation surplus on investment properties	–	–	–	300,000	–	–	300,000
Release upon disposal of interests in subsidiaries	–	–	1,012,705	–	3,645,013	–	4,657,718
Exchange differences arising on translation	–	–	–	–	122,168	–	122,168
Net loss for the year	–	–	–	–	–	(490,906)	(490,906)
At 31 March 2004	**150,196,240**	**68,600**	**3,158,626**	**1,649,561**	**(222,616)**	**(109,812,822)**	**45,037,589**
Reserves retained by:							
Company and subsidiaries							
At 31 March 2004	**150,196,240**	**68,600**	**3,158,626**	**1,649,561**	**(222,616)**	**(109,812,822)**	**45,037,589**
At 31 March 2003	136,936,240	68,600	2,145,921	1,349,561	(3,989,797)	(109,321,916)	27,188,609

The Company

	Share premium HK$	Capital redemption reserve HK$	Goodwill reserve HK$	Investment property revaluation reserve HK$	Translation reserve HK$	Accumulated losses HK$	Total HK$
At 1 April 2002	136,936,240	68,600	–	–	–	(82,687,125)	54,317,715
Net loss for the year	–	–	–	–	–	(21,204,821)	(21,204,821)
At 31 March 2003	136,936,240	68,600	–	–	–	(103,891,946)	33,112,894
Issue of shares at premium	13,260,000	–	–	–	–	–	13,260,000
Net loss for the year	–	–	–	–	–	(42,910,358)	(42,910,358)
At 31 March 2004	**150,196,240**	**68,600**	**–**	**–**	**–**	**(146,802,304)**	**3,462,536**

28. RESERVES *(Continued)*

The Company's reserves available for distribution represent the share premium and retained profits. Under the Companies Law of the Cayman Islands, share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Associations and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. As at 31 March 2004, the aggregate value of the share premium and retained profits of the Company available for distribution is HK$3,393,936 (2003: HK$33,044,294).

Reserves:

(a) Share premium represents the excess of consideration over par value of shares issued.

(b) Capital redemption reserve represents nominal value of shares repurchased out of distributable profits.

(c) Goodwill reserve, investment property revaluation reserve and translation reserve have been set up and will be dealt with in accordance with the accounting policies adopted as set out in Note 2(g) to the financial statements.

29. DEFERRED TAXATION

The deferred taxation liability is mainly attributable to the excess of tax allowances for tax purpose over depreciation charged in financial statements.

At the balance sheet date, the major components of the unprovided deferred tax assets/(liabilities) are as follows:

	The Group	
	2004	2003
	HK$	*HK$*
Excess of tax allowances over depreciation	**(448,137)**	(1,162,000)
Other temporary differences:		
– provision for bad and doubtful debts	**200,391**	183,000
Tax losses carried forward	**23,434,654**	22,252,000
	23,186,908	21,273,000

	The Company	
	2004	2003
	HK$	*HK$*
Tax losses carried forward	**2,871,728**	2,967,304

29. DEFERRED TAXATION *(Continued)*

At the balance sheet date and for the year, no deferred tax assets has been recognised in relation to the deductible temporary differences and tax losses as it is not probable that taxable profit will be available against which the deductible temporary differences and tax losses can be utilized. The Group's tax losses of approximately HK$5,808,768 (2003: HK$4,793,598) and HK$17,625,886 (2003: HK$17,458,402) will expire within one to four years and do not expire respectively. The tax losses of the Company do not expire under current tax legislation.

The Group and the Company had no significant potential deferred tax liabilities for the year and at the balance sheet date.

30. CONTINGENT LIABILITIES

At the balance sheet date, the Company had contingent liabilities not provided for in the financial statements in respect of guarantee of HK$104,644,000 (2003: HK$104,644,000) for banking facilities, which were utilised by subsidiaries to the extent of HK$31,287,699 (2003: HK$43,901,514).

31. PLEDGE OF ASSETS

At the balance sheet date, investment property and certain land and buildings of the Group with net book values of approximately HK$3,700,000 (2003: HK$3,400,000) and HK$22,000,000 (2003: HK$21,200,000) respectively were pledged to secure general banking facilities to the extent of approximately HK$65,600,000 (2003: HK$65,200,000), of which approximately HK$31,300,000 (2003: HK$43,900,000) were utilised.

32. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, during the year the Group had the following transactions with related parties:

(i) Mr. Lee Sam Yuen, John, a director, provided a personal guarantee of HK$100,000,000 (2003: HK$100,000,000) to a bank to secure general banking facilities granted to a subsidiary, for which no charge is made;

(ii) Mrs. Lee Shiao Yu Cho, ex-director, jointly and severally provided personal guarantee of HK$100,000,000 (2003: HK$100,000,000) to a bank to secure general banking facilities granted to a subsidiary, for which no charge is made.

(iii) The Company has provided corporate guarantee of HK$104,644,000 (2003: HK$104,644,000) to certain subsidiaries for banking facilities granted.

(iv) During the year, the Group purchased goods amounting to HK$1,984,708 (2003: HK$3,418,915) from a company owned by a close family member of Ms. Ng Fung Ying, a director of the Group.

33. OPERATING LEASE COMMITMENT

At 31 March 2004, the Group had total outstanding commitments for future minimum lease payable under non-cancellable operating lease in respect of properties which fall due as follows:

	The Group	
	2004	2003
	HK$	*HK$*
Within one year	–	1,734,073
In the second to fifth years	–	6,381,681
After five years	–	1,213,607
	–	9,329,361

Operating lease payments represent rentals payable by the Group for certain of its office and retail premises. Leases are negotiated for an average term of 4 years and rentals are fixed for an average of 2 years.

The Company had no operating lease commitments (2003: Nil) at the balance sheet date.

34. CAPITAL COMMITMENTS

	The Group	
	2004	2003
	HK$	*HK$*
Commitments for the acquisition of property, plant and equipment		
– contracted but not provided for	**2,602,824**	–
– authorised but not contracted for	**49,070,189**	–
	51,673,013	–

The Company had no capital commitments (2003: Nil) at the balance sheet date.

(31 March 2004)

35. POST BALANCE SHEET EVENTS

On 23 April 2004, the Company has entered into sale and purchase agreement with the vendor concerning the acquisition of 44% equity interest in Kenitic Innovation Limited for the consideration of HK$42,000,000. The total consideration are satisfied by HK$20,000,000 in cash payable and HK$22,000,000 by an issue and allotment of 110,000,000 new shares, resulting in the enlarged issued shares.

On 14 June 2004, the Company has entered into sale and purchase agreement together with D. H. International Limited, the purchaser, and its indirect wholly-owned subsidiaries, Dah Hwa Leather & Trading Co., Ltd. and Inter Leather Limited which all parties agreed to sell a total of 7 commercial properties for the aggregate consideration of HK$30,370,000. The use of this proceed is to settle the outstanding amounts on mortgaged loans and unsecured loans of HK$12,000,000 and HK$17,600,000 respectively. Then, the remaining proceeds of HK$770,000 is applied as general working capital of the Group.

36. COMPARATIVE FIGURES

With a review of financial statements presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform to the current year's presentation.