

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2004

1. Basis of preparation and principal accounting policies

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and is in compliance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and basis of preparation adopted in these condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2004.

2. Segment information

Primary reporting format - business segments

	Unaudited Six months ended 30th September, 2004				
	Small leather				Group
	Belts	goods	Bags	Leather	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	91,900	3,213	764	354	96,231
Results					
Segment results	26,946	1,411	212	89	28,658
Unallocated revenue					265
Unallocated costs					(7,756)
Profit before taxation					21,167
Taxation					(1,721)
Profit attributable to shareholders					19,446



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	Unaudited				
	Six months ended 30th September, 2003				
	Small leather goods			Leather	Group
	Belts	goods	Bags		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	75,102	1,294	—	372	76,768
Results					
Segment results	23,951	540	—	118	24,609
Unallocated revenue					521
Unallocated costs					(6,597)
Profit before taxation					18,533
Taxation					(1,510)
Profit attributable to shareholders					17,023

Secondary reporting format - geographical segments

	Turnover	
	Six months ended 30th September,	
	2004	2003
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Japan	46,291	45,070
Europe	20,464	7,722
The United States of America ("US")	7,193	8,648
Hong Kong	7,477	6,643
The People's Republic of China, other than Hong Kong ("PRC")	4,647	4,009
Australia	4,943	1,147
Others	5,216	3,529
	96,231	76,768

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3. Profit before taxation

Profit before taxation has been arrived at after charging:

	Six months ended 30th September,	
	2004	2003
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Bad debts written off and provision for bad debts	34	42
Cost of inventories sold		
- material costs	50,962	40,058
- production overheads	14,379	10,412
Depreciation of property, plant and equipment	849	769
Operating lease rentals in respect of land and buildings	1,781	1,740
Provision for obsolete inventories	149	613
Staff costs (excluding directors' emoluments)	3,472	2,623
and after crediting:		
Unrealised holding gain on other investment	193	—

4. Taxation

	Six months ended 30th September,	
	2004	2003
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Current tax:		
- Hong Kong profits tax	1,656	1,515
Deferred tax	65	(5)
	1,721	1,510

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the period.



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Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiary is entitled to exemption from PRC income tax for two years commencing from the first profit-making year, and entitled to a 50% relief from the PRC income tax for the following three years.

No provision for the PRC income tax has been made for the Group's PRC subsidiary as it was exempt from the income tax for its second profitable year of operation.

5. Dividends

	Six months ended 30th September,	
	2004 Unaudited HK\$'000	2003 Unaudited HK\$'000
2004 interim dividend of HK\$0.02 (2003: HK\$ 0.018) per share	6,370	5,733

At a board meeting held on 9th December, 2004, the directors declared an interim dividend of HK\$0.02 per share, aggregating a total of HK\$6,370,000 for the six months ended 30th September, 2004. The amount of proposed interim dividend is based on 318,500,000 shares in issue at 9th December, 2004.

6. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$19,446,000 (2003: HK\$17,023,000) and the weighted average of 318,500,000 (2003: 312,610,383) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period is based on the Group's profit attributable to shareholders of HK\$19,446,000 (2003: HK\$17,023,000) and the weighted average number of 318,726,839 (2003: 313,780,284) ordinary shares. The weighted average number of ordinary shares used in the calculation is the weighted average number of 318,500,000 (2003: 312,610,383) ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average of 226,839 (2003: 1,169,901) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period.

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7. Trade receivables

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

	30th September, 2004 Unaudited HK\$'000	31st March, 2004 Audited HK\$'000
Current to 30 days	9,287	15,746
31-60 days	2,848	1,760
61-90 days	712	1,136
91-120 days	366	208
121-365 days	390	98
Over 365 days	—	168
	<hr/> 13,603	<hr/> 19,116

8. Other Investment

	30th September, 2004 Unaudited HK\$'000	31st March, 2004 Audited HK\$'000
Open-ended mutual funds with guaranteed return, stated at quoted market price	8,133	7,940
	<hr/> 8,133	<hr/> 7,940



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9. Trade payables

Details of the ageing analysis are as follows:

	30th September, 2004 Unaudited HK\$'000	31st March, 2004 Audited HK\$'000
Current to 30 days	7,797	5,320
31-60 days	2,581	2,276
61-90 days	1,479	151
91-120 days	375	424
121-365 days	142	317
Over 365 days	8	28
	12,382	8,516

10. Share capital

There was no movement in the share capital of the Company during the period.

11. Contingent liabilities

The Group had no material contingent liabilities as at 30th September, 2004.

12. Related party transactions

During the period, the Group entered into the following transactions with related parties:

	Six months ended 30th September, 2004 Unaudited HK\$'000	2003 Unaudited HK\$'000
Rental expenses paid to Mr. Chan Woon Man and Ms. Tsang Sau Lin for office premises	120	120

Mr. Chan Woon Man is a substantial shareholder of the Company and Ms. Tsang Sau Lin is the wife of Mr. Chan Woon Man.

Rentals are payable at HK\$20,000 per month in accordance with the terms of the tenancy agreement signed by the Group and the related parties. The directors are of the opinion that leasing transactions are conducted in the ordinary course of business.