

# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 1. GENERAL

The Company was incorporated in the Cayman Islands on 12th April, 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company were listed on the Stock Exchange on 12th March, 2003.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 13.

## 2. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of other investment. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

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 have been eliminated on consolidation.

### INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received or receivable.

# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, where appropriate.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the reducing balance method, at the following rates per annum:

Leasehold improvements	Shorter of expected useful life or over the unexpired period of the leases
Plant and machinery	30%
Furniture and fixtures	20%
Motor vehicles	30%

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

### INVESTMENT IN SECURITIES

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities or other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

### IMPAIRMENT

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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 raw materials, direct labour, subcontracting costs and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### TAXATION

Taxation represents the sum of the current tax payable and deferred tax.

Current tax payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years. And it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

### OPERATING LEASES

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

### RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

Payments to retirement benefit schemes are charged as an expense as they fall due.

# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### FOREIGN CURRENCIES

Transactions in currencies other than Hong Kong dollars are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of overseas operations which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rate for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

### RELATED PARTIES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

### CASH AND CASH EQUIVALENTS

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 than from date of investment and bank overdrafts.

### REVENUE RECOGNITION

#### *Sales of goods*

Sales of goods are recognised when the goods are delivered to the customers and the title has passed.

#### *Interest income*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

## 4. TURNOVER

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowance for the year.

# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 5. SEGMENT INFORMATION

### BUSINESS SEGMENTS

For management purposes, the Group is currently organised into three major operating divisions – manufacturing business, retail business and trading of leather. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- |                        |   |   |
|------------------------|---|---|
| Manufacturing business | – | manufacture and distribution of leather products  |
| Retail business        | – | retail of fashion apparel and leather accessories |
| Trading of leather     | – | trading of leather                                |

# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 5. SEGMENT INFORMATION *(Continued)*

### BUSINESS SEGMENTS *(Continued)*

Segment information about these businesses is presented below:

	<b>Manufacturing business HK\$'000</b>	<b>Retail business HK\$'000</b>	<b>Trading of leather HK\$'000</b>	<b>Inter-segment elimination HK\$'000</b>	<b>Unallocated HK\$'000</b>	<b>Consolidated HK\$'000</b>
Year ended 31st March, 2005						
Revenue						
External	203,911	1,971	462	-	-	206,344
Inter-segment	855	-	-	(855)	-	-
	<u>204,766</u>	<u>1,971</u>	<u>462</u>	<u>(855)</u>	<u>-</u>	<u>206,344</u>
Segment results	<u>44,284</u>	<u>(820)</u>	<u>134</u>	<u>(209)</u>	<u>-</u>	<u>43,389</u>
Unallocated income						1,105
Unallocated expenses						<u>(703)</u>
Profit before taxation						43,791
Taxation						<u>(3,637)</u>
Profit attributable to shareholders						<u>40,154</u>
At 31st March, 2005						
Assets						
Segment assets	54,303	3,837	-	-	-	58,140
Unallocated assets						<u>96,293</u>
Total assets						<u>154,433</u>
Liabilities						
Segment liabilities	19,227	472	-	-	-	19,699
Unallocated liabilities						<u>948</u>
Total liabilities						<u>20,647</u>
Other information						
Capital expenditure	1,613	817	-	-	2,570	5,000
Depreciation	1,577	155	-	-	485	2,217
Loss on disposal of property, plant and equipment	-	-	-	-	462	462
Provision for bad debts	198	-	-	-	-	198
Provision for obsolete inventories	<u>526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>526</u>

# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 5. SEGMENT INFORMATION *(Continued)*

### BUSINESS SEGMENTS *(Continued)*

	Manufacturing business HK\$'000	Retail business HK\$'000	Trading of leather HK\$'000	Inter-segment elimination HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Year ended 31st March, 2004						
Revenue						
External	153,875	-	724	-	-	154,599
Inter-segment	-	-	-	-	-	-
	<u>153,875</u>	<u>-</u>	<u>724</u>	<u>-</u>	<u>-</u>	<u>154,599</u>
Segment results	<u>34,559</u>	<u>-</u>	<u>209</u>	<u>-</u>	<u>-</u>	<u>34,768</u>
Unallocated income						524
Unallocated expenses						<u>(767)</u>
Profit before taxation						34,525
Taxation						<u>(2,912)</u>
Profit attributable to shareholders						<u>31,613</u>
At 31st March, 2004						
Assets						
Segment assets	42,299	-	-	-	-	42,294
Unallocated assets						<u>77,504</u>
Total assets						<u>119,798</u>
Liabilities						
Segment liabilities	13,824	-	-	-	-	13,824
Unallocated liabilities						<u>239</u>
Total liabilities						<u>14,063</u>
Other information						
Capital expenditure	151	-	-	-	711	862
Depreciation	812	-	-	-	766	1,578
Provision for bad debts	42	-	-	-	-	42
Provision for obsolete inventories	<u>467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>467</u>





# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 6. PROFIT BEFORE TAXATION

	<b>The Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Profit before taxation has been arrived at after charging:		
Auditors' remuneration	<b>300</b>	250
Cost of inventories sold		
– material costs	<b>107,569</b>	81,049
– production overheads	<b>30,659</b>	21,622
Depreciation of property, plant and equipment	<b>2,217</b>	1,578
Loss on disposal of property, plant and equipment	<b>462</b>	–
Operating lease rentals in respect of land and buildings	<b>4,226</b>	3,465
Provision for bad debts	<b>198</b>	42
Provision for obsolete inventories	<b>526</b>	467
Staff costs, excluding directors' emoluments		
– Wages, salaries and allowances	<b>7,328</b>	5,794
– Retirement benefit scheme contributions	<b>310</b>	239
and after crediting		
Interest income	<b>392</b>	403
Unrealised holding gain on other investment	<b>217</b>	121
Realised gain on disposal of other investment	<b>130</b>	–
	<b>130</b>	–

# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 7. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (A) DIRECTORS' EMOLUMENTS

	<b>The Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Directors' fees	<b>140</b>	100
Other emoluments:		
Basic salaries and allowances	<b>2,760</b>	2,760
Retirement benefit scheme contributions	<b>60</b>	60
	<b>2,960</b>	2,920

Directors' emoluments disclosed above include HK\$140,000 (2004: HK\$100,000) paid to independent non-executive directors.

The emoluments received by each of the six directors were below HK\$1,000,000 for each of the two years ended 31st March, 2005.

### (B) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include three (2004: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2004: two) individuals during the year are as follows:

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Basic salaries and allowances	<b>890</b>	644
Bonuses	<b>25</b>	15
Retirement benefit scheme contributions	<b>24</b>	24
	<b>939</b>	683

The emoluments of each remaining individual were below HK\$1,000,000 for each of the two years ended 31st March, 2005.

# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 7. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

- (c) During the year, no emoluments (2004: Nil) have been paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 8. TAXATION

	The Group	
	2005 HK\$'000	2004 HK\$'000
Current tax		
– Hong Kong Profits Tax	3,621	2,906
– Other jurisdictions	35	–
Underprovision in prior years	6	–
Deferred tax <i>(note 18)</i>		
– Current year	(25)	(15)
– Attributable to change in tax rate	–	21
	<b>3,637</b>	2,912

Hong Kong Profits Tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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 their first profit-making year of operation and entitled to a 50% relief from the PRC income tax for the following three years.

# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 8. TAXATION *(Continued)*

The taxation for the year is reconciled to the profit before taxation per income statement as follows:

	<b>The Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Profit before taxation	<b>43,791</b>	34,525
Tax at the domestic income tax rate of 17.5% (2004: 17.5%)	<b>7,663</b>	6,042
Tax effect of expenses that are not deductible in determining taxable profit	<b>14,310</b>	8,725
Tax effect of income that is not taxable in determining taxable profit	<b>(18,477)</b>	(11,876)
Underprovision in prior years	<b>6</b>	-
Increase in opening deferred tax liability resulting from an increase in Hong Kong Profits Tax rate	-	21
Effect of different tax rates of a subsidiary operating in other jurisdiction	<b>(15)</b>	-
Tax effect of tax losses not recognised	<b>150</b>	-
Taxation for the year	<b>3,637</b>	2,912

## 9. DIVIDENDS

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Final, proposed, of HK\$0.022 (2004: HK\$0.018) per ordinary share <i>(note (a))</i>	<b>7,007</b>	5,733
Interim dividend of HK\$0.02 (2004: HK\$0.018) per ordinary share	<b>6,370</b>	5,733
	<b>13,377</b>	11,466

# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 9. DIVIDENDS *(Continued)*

- (a) At a board meeting held on 18th July, 2005, the directors proposed a final dividend of HK\$0.022 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 31st March, 2006.

The amount of proposed final dividend is based on 318,500,000 shares in issue as at 18th July, 2005

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$40,154,000 (2004: HK\$31,613,000) and the weighted average of 318,500,000 (2004: 315,534,907) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year is based on the Group's profit attributable to shareholders of HK\$40,154,000 (2004: HK\$31,613,000) and the weighted average number of 318,617,200 (2004: 316,148,574) ordinary shares. The weighted average number of ordinary shares used in the calculation is the weighted average number of 318,500,000 (2004: 315,534,907) ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average of 117,200 (2004: 613,667) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year.

# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 11. PROPERTY, PLANT AND EQUIPMENT

### THE GROUP

	<b>Plant and machinery</b>	<b>Furniture and fixtures</b>	<b>Leasehold improvements</b>	<b>Motor vehicles</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cost</b>					
At 1st April, 2004	4,409	3,012	4,095	450	11,966
Additions	1,399	859	2,336	406	5,000
Disposals	–	(321)	(951)	–	(1,272)
	<u>5,808</u>	<u>3,550</u>	<u>5,480</u>	<u>856</u>	<u>15,694</u>
At 31st March, 2005	<u>5,808</u>	<u>3,550</u>	<u>5,480</u>	<u>856</u>	<u>15,694</u>
<b>Depreciation</b>					
At 1st April, 2004	2,389	1,500	1,019	342	5,250
Provided for the year	1,052	459	552	154	2,217
Written back on disposals	–	(251)	(459)	–	(710)
	<u>3,441</u>	<u>1,708</u>	<u>1,112</u>	<u>496</u>	<u>6,757</u>
At 31st March, 2005	<u>3,441</u>	<u>1,708</u>	<u>1,112</u>	<u>496</u>	<u>6,757</u>
<b>Net book value</b>					
At 31st March, 2005	<u>2,367</u>	<u>1,842</u>	<u>4,368</u>	<u>360</u>	<u>8,937</u>
At 31st March, 2004	<u>2,020</u>	<u>1,512</u>	<u>3,076</u>	<u>108</u>	<u>6,716</u>

# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 12. INVENTORIES

	<b>The Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>23,666</b>	13,905
Work in progress	<b>4,718</b>	3,172
Finished goods	<b>2,567</b>	656
	<b><u>30,951</u></b>	<u>17,733</u>

At 31st March, 2005 and 2004, all the inventories were carried at cost.

## 13. INVESTMENTS IN SUBSIDIARIES

	<b>The Company</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b><u>48,181</u></b>	<u>48,181</u>

# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 13. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Details of the Company's subsidiaries at 31st March, 2005 are as follows:

<b>Name</b>	<b>Place of incorporation/ establishment and form of legal entity</b>	<b>Principal activities and place of operation</b>	<b>Issued share capital/paid-up registered capital</b>	<b>Interest held</b>
<i>Directly held:</i>				
Chanco International Holding Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	Ordinary shares US\$1,000	100%
<i>Indirectly held:</i>				
Sun Ray Manufactory, Limited	Hong Kong, limited liability company	Manufacturing and trading of leather accessories in Hong Kong	Non-voting deferred shares HK\$6  Ordinary shares HK\$2	100%
Elite Leatherware Company Limited	Hong Kong, limited liability company	Trading of leather accessories in Hong Kong	Ordinary shares HK\$10,000	100%
Talent Union Development Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	Ordinary shares US\$8	100%
Dongguan Ngai Luen Leather Goods Company Limited	PRC, wholly foreign owned enterprise with limited liability	Manufacturing and trading of leather accessories in the PRC	Registered capital HK\$2,000,000	100%
Amid Success Holdings Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	Ordinary shares US\$1	100%
Urban Stranger Company Limited	Hong Kong, limited liability company	Retail of fashion apparel and leather accessories	Ordinary shares HK\$1	100%



# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 14. TRADE RECEIVABLES

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

	<b>The Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Current to 30 days	<b>10,958</b>	15,746
31-60 days	<b>3,501</b>	1,760
61-90 days	<b>1,188</b>	1,136
91-120 days	<b>483</b>	208
121-365 days	<b>1,698</b>	98
Over 365 days	<b>86</b>	168
	<b><u>17,914</u></b>	<u>19,116</u>

## 15. OTHER INVESTMENT

	<b>The Group and the Company</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Open-ended mutual funds with guaranteed return, stated at quoted market price	<b><u>4,162</u></b>	<u>7,940</u>

## 16. AMOUNTS DUE FROM SUBSIDIARIES

The amounts were unsecured, interest-free and had no fixed terms of repayment.

# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 17. TRADE PAYABLES

Details of the ageing analysis are as follows:

	<b>The Group</b>	
	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Current to 30 days	<b>6,172</b>	5,320
31-60 days	<b>2,950</b>	2,276
61-90 days	<b>1,775</b>	151
91-120 days	<b>544</b>	424
121-365 days	<b>65</b>	317
Over 365 days	<b>100</b>	28
	<b>11,606</b>	8,516

## 18. DEFERRED TAXATION

The following are the major deferred tax liabilities provided by the Group and movements thereon:

	<b>Accelerated tax</b>	<b>Others</b>	<b>Total</b>
	<b>depreciation</b>		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>The Group</b>			
At 1st April, 2003	223	–	223
Effect of changes in tax rate charge to income statement for the year	21	–	21
(Credit)/charge to the income statement for the year	(49)	34	(15)
At 31st March, 2004	195	34	229
Charge/ (credit) to income statement for the year	61	(86)	(25)
At 31st March, 2005	256	(52)	204

# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 18. DEFERRED TAXATION *(Continued)*

At the balance sheet date, the Group have unused tax losses of HK\$858,000 (2004: Nil) available to offset against future profits. No deferred tax assets have been recognised in respect of the amounts due to unpredictability of future profit streams.

At the balance sheet date, the Company did not have material unprovided deferred tax assets and liabilities (2004: Nil).

## 19. SHARE CAPITAL

	<b>The Company</b>	
	<b>Number of shares</b>	<b>Amount</b>
		<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 31st March, 2004 and 2005	<u>2,000,000,000</u>	<u>20,000</u>
<b>Issued and fully paid:</b>		
At 1st April, 2003	307,664,000	3,077
Exercise of share options	<u>10,836,000</u>	<u>108</u>
At 31st March, 2004 and 2005	<u>318,500,000</u>	<u>3,185</u>

# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 20. SHARE OPTIONS

- (a) Under the share option scheme (the "Share Option Scheme") approved by the shareholders on 18th February, 2003, the directors of the Company may, at its discretion, invite non-executive directors, employees, invested entities, suppliers of goods or services, customers, consultants and advisors of the Group or any entity in which any member of the Group holds any equity interest to take up options to subscribe for shares in the Company representing up to a maximum of 30 per cent of the issued share capital of the Company from time to time.

The subscription price for the shares in relation to options to be granted under the Share Option Scheme shall be determined by the board and shall be at least the highest of (i) the nominal value of the shares of the Company; (ii) the closing price of the shares on the date of grant (the "Offer Date"); and (iii) the average closing price of the shares for the five day business days immediately preceding the Offer Date. The options are exercisable within 10 years from the Offer Date.

There were no movements in share options during the year ended 31st March, 2005. Details of share options outstanding at 31st March, 2005 are as follows:

Name or category of participant	Date of grant	Outstanding as at		Exercise price per share
		1st April, 2004 and 31st March, 2005	Exercisable period	
<b>(a) Executive directors</b>				
Chan King Hong Edwin	24th Sept, 2003	3,181,200	24th Sept, 2003 – 23rd Sept, 2013	0.830
Chan King Yuen Stanley	24th Sept, 2003	3,181,200	24th Sept, 2003 – 23rd Sept, 2013	0.830
Chan Wai Po Rebecca	24th Sept, 2003	3,181,200	24th Sept, 2003 – 23rd Sept, 2013	0.830
<b>(b) Employees, in aggregate</b>				
	26th May, 2003	516,000	26th May, 2003 – 25th May, 2013	0.580
	24th Sept, 2003	6,362,400	26th May, 2003 – 25th May, 2013	0.830
<b>(c) Others, in aggregate</b>				
	26th May, 2003	3,000,000	26th May, 2003 – 25th May, 2013	0.580
Total		<u>19,422,000</u>		

Notes:

- (i) All the options were immediately vested upon granted.
- (ii) The share options granted under the Share Option Scheme are not recognised in the financial statements until they are exercised.

# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 21. RESERVES

	<b>Share premium</b>	<b>The Company Retained earnings</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April, 2003	74,429	12,987	87,416
Profit attributable to shareholders	–	11,493	11,493
2003 final dividend paid	–	(12,725)	(12,725)
Interim dividend paid	–	(5,733)	(5,733)
Exercise of share options	6,177	–	6,177
	<hr/>	<hr/>	<hr/>
At 31st March, 2004	80,606	6,022	86,628
Profit attributable to shareholders	–	13,173	13,173
2004 final dividend paid	–	(5,733)	(5,733)
Interim dividend paid	–	(6,370)	(6,370)
	<hr/>	<hr/>	<hr/>
At 31st March, 2005	<u>80,606</u>	<u>7,092</u>	<u>87,698</u>
Representing:			
Reserves			80,895
2004 final dividend proposed			<u>5,733</u>
At 31st March, 2004			<u>86,628</u>
Reserves			80,691
2005 final dividend proposed			<u>7,007</u>
At 31st March, 2005			<u>87,698</u>

# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 22. CONTINGENT LIABILITIES

At the balance sheet date, the Company has given guarantees to banks in respect of general facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries at 31st March, 2005 amounted to approximately HK\$1,000,000 (2004: HK\$1,000,000).

## 23. OPERATING LEASES COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>The Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>1,838</b>	3,102
In the second to fifth years inclusive	<b>846</b>	20
	<b><u>2,684</u></b>	<u>3,122</u>

Operating lease payments represent rental payable by the Group for its offices, production plants and retail stores. Leases are negotiated and rentals are fixed for an average term of one to two years.

The Company had no operating lease commitments at the balance sheet date.

# Notes to the Financial Statements

YEAR ENDED 31ST MARCH, 2005

## 24. RELATED PARTY TRANSACTIONS

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

	<b>The Group</b>	
	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Rental expenses paid to Mr. Chan Woon Man and Ms. Tsang Sau Lin for office premises	<b>240</b>	240

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 agreements signed by the Group and the related parties. The directors are of the opinion that the leasing transactions are conducted in the ordinary course of business.

Details of balances with related parties at the balance sheet date are set out in the balance sheets and in note 16.

## 25. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund scheme ("MPF Scheme") for all employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the scheme.

The employees of the Group's subsidiary in the PRC are member of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiary is required to contribute a specified percentage of payroll cost to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.