

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.

Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 17th February, 2003. Details of the Reorganisation are set out in the prospectus issued by the Company dated 28th February, 2003. The shares of the Company were listed on the Stock Exchange on 12th March, 2003.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group for the year ended 31st March, 2003 have been prepared on a merger accounting basis in accordance with Statement of Standard Accounting Practice ("SSAP") No. 27 "Accounting for Group Reconstructions" issued by the Hong Kong Society of Accountants ("HKSA").

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group adopted, for the first time, the following Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKSA, the term of HKFRS is inclusive of SSAP and Interpretations approved by the HKSA.

Income Taxes

In the current year, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary 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, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of this standard has had no material effect on the results for the prior accounting periods. Accordingly, no prior period adjustment has been required.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

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, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as revaluation increase under that SSAP.

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 realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

The tax currently 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. Such assets and liabilities are not recognised if the temporary differences arises from goodwill or negative goodwill or from the initial recognition other than in a business combination of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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.

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

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

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 from bank deposits 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.

5. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into three major operating divisions — belts, small leather goods and leather. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Belts	—	manufacture and distribution of belts
Small leather goods	—	manufacture and distribution of small leather goods
Leather	—	trading of leather

5. SEGMENT INFORMATION (Continued)**Business segments (Continued)**

Segment information about these businesses is presented below:

	Belts HK\$'000	Small leather goods HK\$'000	Leather HK\$'000	Unallocated HK\$'000	Group HK\$'000
Year ended 31st March, 2004					
Turnover	149,535	4,340	724	—	154,599
Results					
Segment results	46,071	2,026	209	—	48,306
Unallocated revenue					524
Unallocated costs					(14,305)
Profit before taxation					34,525
Taxation					(2,912)
Profit attributable to shareholders					31,613
At 31st March, 2004					
Assets					
Segment assets	42,487	1,078	—	—	43,565
Unallocated assets					76,233
Total assets					119,798
Liabilities					
Segment liabilities	8,516	—	—	—	8,516
Unallocated liabilities					5,547
Total liabilities					14,063
Other information					
Capital expenditure	151	—	—	711	862
Depreciation	812	—	—	766	1,578

Notes to the Financial Statements

Year Ended 31st March, 2004

5. SEGMENT INFORMATION (Continued)**Business segments (Continued)**

	Belts HK\$'000	Small leather goods HK\$'000	Leather HK\$'000	Unallocated HK\$'000	Group HK\$'000
Year ended 31st March, 2003					
Turnover	147,788	4,850	1,790	—	154,428
Results					
Segment results	47,116	2,110	421	—	49,647
Unallocated revenue					302
Unallocated costs					(11,877)
Profit before taxation					38,072
Taxation					(3,065)
Profit attributable to shareholders					35,007
At 31st March, 2003					
Assets					
Segment assets	33,453	168	—	—	33,621
Unallocated assets					61,607
Total assets					95,228
Liabilities					
Segment liabilities	4,415	—	—	—	4,415
Unallocated liabilities					4,518
Total liabilities					8,933
Other information					
Capital expenditure	2,544	—	—	4,243	6,787
Depreciation	621	—	—	798	1,419

5. SEGMENT INFORMATION (Continued)

Geographical segments

The Group's operations are principally located in Hong Kong and the PRC. Group administration is carried out in Hong Kong and the manufacturing function is carried out in the PRC.

The following table provides an analysis of the Group's sales by geographical market and analysis of total assets and capital expenditure by the geographical area in which the assets are located.

	Year ended 31st March, 2004		
	Turnover HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Japan	84,234	—	—
Europe	21,122	—	—
The United States of America ("USA")	16,187	—	—
Hong Kong	13,772	86,930	272
The People's Republic of China, other than Hong Kong ("PRC")	7,376	22,648	590
Others	11,908	10,220	—
	154,599	119,798	862

	Year ended 31st March, 2003		
	Turnover HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Japan	86,564	—	—
Europe	24,470	—	—
USA	21,553	—	—
Hong Kong	14,998	76,969	411
PRC	344	18,259	6,376
Others	6,499	—	—
	154,428	95,228	6,787

6. PROFIT BEFORE TAXATION

	The Group	
	2004 HK\$'000	2003 HK\$'000
Profit before taxation has been arrived at after charging:		
Auditors' remuneration	250	600
Cost of inventories sold		
— material costs	81,049	79,315
— production overheads	21,622	20,809
Depreciation of property, plant and equipment	1,578	1,419
Loss on disposal of property, plant and equipment	—	43
Operating lease rentals in respect of land and buildings	3,465	2,862
Provision for bad debts	42	9
Provision for obsolete inventories	467	122
Staff costs, excluding directors' emoluments		
— Wages, salaries and allowances	5,794	5,030
— Retirement benefit scheme contributions	239	240
and after crediting		
Unrealised holding gain on other investment	121	—

7. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS**(a) Directors' emoluments**

	2004 HK\$'000	2003 HK\$'000
Directors' fees	100	8
Other emoluments:		
Basic salaries and allowances	2,760	1,518
Retirement benefit scheme contributions	60	60
	2,920	1,586

Directors' emoluments disclosed above include HK\$100,000 (2003: HK\$8,000) paid to independent non-executive directors.

The emoluments received by each of the five directors were below HK\$1,000,000 for each of the two years ended 31st March, 2004.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2003: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2003: two) individuals during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Basic salaries and allowances	644	653
Bonuses	15	15
Retirement benefit scheme contributions	24	24
	683	692

The emoluments of each remaining individual were below HK\$1,000,000 for each of the two years ended 31st March, 2004.

- (c) During the year, no emoluments (2003: 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

	2004 HK\$'000	2003 HK\$'000
Current tax		
— Hong Kong Profits Tax	2,906	2,980
Overprovision in prior years	—	(42)
Deferred tax (note 19)		
— Current year	(15)	127
— Attributable to change in tax rate	21	—
	2,912	3,065

Hong Kong Profits Tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year.

8. TAXATION (Continued)

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.

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 first profitable year of operation.

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

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	34,525	38,072
Tax at the domestic income tax rate of 17.5% (2003: 16%)	6,042	6,092
Tax effect of expenses that are not deductible in determining taxable profit	(11,876)	(12,163)
Tax effect of income that is not taxable in determining taxable profit	8,725	9,178
Overprovision in prior years	—	(42)
Increase in opening deferred tax liability resulting from an increase in Hong Kong Profits Tax rate	21	—
Taxation for the year	2,912	3,065

9. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Final, proposed, of HK\$0.018 (2003: HK\$0.04) per ordinary share (note (a))	5,733	12,577
2004 interim dividend of HK\$0.018 per ordinary share (2003: note (b))	5,733	21,000
	11,466	33,577

9. DIVIDENDS (Continued)

- (a) At a board meeting held on 9th July, 2004, the directors proposed a final dividend of HK\$0.018 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, 2005.

The amount of proposed final dividend is based on 318,500,000 shares in issue as at 9th July, 2004.

- (b) The rate of dividend and the number of shares ranking for 2003 interim dividends are not presented as such information is not meaningful for the purpose of this financial statements.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$31,613,000 (2003: HK\$35,007,000) and the weighted average of 315,534,907 (2003: 245,961,589) 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\$31,613,000 and the weighted average number of 316,148,574 ordinary shares. The weighted average number of ordinary shares used in the calculation is the weighted average number of 315,534,907 ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average of 613,667 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year.

Diluted earnings per share for the year ended 31st March, 2003 has not been presented as there were no dilutive instrument at 31st March, 2003.

11. PROPERTY, PLANT AND EQUIPMENT**The Group**

	Plant and machinery	Furniture and fixtures	Leasehold improvements	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost					
At 1st April, 2003	4,258	2,752	3,644	450	11,104
Additions	151	260	451	—	862
At 31st March, 2004	4,409	3,012	4,095	450	11,966
Depreciation					
At 1st April, 2003	1,577	1,122	677	296	3,672
Provided for the year	812	378	342	46	1,578
At 31st March, 2004	2,389	1,500	1,019	342	5,250
Net book value					
At 31st March, 2004	2,020	1,512	3,076	108	6,716
At 31st March, 2003	2,681	1,630	2,967	154	7,432

12. INVENTORIES

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Raw materials	13,905	16,498
Work in progress	3,172	1,872
Finished goods	656	415
	17,733	18,785

At 31st March, 2004 and 2003, all the inventories were carried at cost.

13. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	48,181	48,181

Details of the Company's subsidiaries at 31st March, 2004 are as follows:

Name	Place of incorporation and form of legal entity	Principal activities and place of operation	Particulars of issued share capital and registered capital	Interest held
Directly held:				
Chanco International Holding Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	Ordinary shares US\$1,000	100%
Indirectly held:				
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%

Notes to the Financial Statements

Year Ended 31st March, 2004

14. 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:

	The Group	
	2004 HK\$'000	2003 HK\$'000
Current to 30 days	15,746	10,078
31–60 days	1,760	1,394
61–90 days	1,136	340
91–120 days	208	12
121–365 days	98	331
Over 365 days	168	—
	19,116	12,155

15. OTHER INVESTMENT

	The Group and the Company	
	2004 HK\$'000	2003 HK\$'000
Open-ended mutual funds with guaranteed return, stated at quoted market price	7,940	—

16. AMOUNTS DUE FROM SUBSIDIARIES

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

17. AMOUNTS DUE FROM SHAREHOLDERS

Particulars of amounts due from shareholders are as follows:

	The Group and the Company		
	Maximum amount outstanding during the year HK\$'000	2004 HK\$'000	2003 HK\$'000
Name of shareholders			
Leopark Worldwide Inc. (note (a) & (b))	420	—	420
New Paramount Profits Limited (note (a) & (c))	489	—	489
		—	909

- (a) The amounts due from shareholders were unsecured, interest-free and had no fixed terms of repayment.
- (b) A director of the Company, Mr. Chan King Hong Edwin, has beneficial interests in Leopark Worldwide Inc.
- (c) A director of the Company, Mr. Chan King Yuen Stanley, has beneficial interests in New Paramount Profits Limited.

18. TRADE PAYABLES

Details of the ageing analysis are as follows:

	The Group	
	2004 HK\$'000	2003 HK\$'000
Current to 30 days	5,320	3,201
31–60 days	2,276	1,152
61–90 days	151	10
91–120 days	424	52
121–365 days	317	—
Over 365 days	28	—
	8,516	4,415

19. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$'000	Others HK\$'000	Total HK\$'000
The Group			
At 1st April, 2002	96	—	96
Charge to the income statement	127	—	127
At 31st March, 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

The Group and the Company had no significant unprovided deferred taxation for the year or at the balance sheet date (2003: Nil).

20. SHARE CAPITAL

	The Company	
	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 12th April, 2002 (date of incorporation) (note (a))	38,000,000	380
Increase on 18th February, 2003 (note (d))	1,962,000,000	19,620
At 31st March, 2003 and 2004	2,000,000,000	20,000
Issued and fully paid:		
At 12th April, 2002 (date of incorporation)	—	—
Issue of shares (note (b), (c))	1,000,000	10
Capitalisation Issue (note (e))	241,004,000	2,410
Issue of shares upon placing and public offer (note (f))	65,660,000	657
At 31st March, 2003	307,664,000	3,077
Exercise of share options	10,836,000	108
At 31st March, 2004	318,500,000	3,185

Notes:

- (a) The Company was incorporated in the Cayman Islands on 12th April, 2002 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.
- (b) On 2nd May, 2002, 1,000 shares of HK\$0.01 each were allotted and issued as nil-paid.
- (c) On 17th February, 2003, the Company acquired the entire issued capital of Chanco International Holding Limited ("Chanco") and in consideration thereof (i) an aggregate of 999,000 shares of HK\$0.01 each, credited as fully paid, were allotted and issued to then shareholders of Chanco; and (ii) the aggregate of 1,000 shares allotted and issued as nil-paid were credited as fully-paid up at par (note 20(b)).
- (d) On 18th February, 2003, the authorised share capital of the Company was increased to HK\$2,000,000 by creation of an additional 1,962,000,000 shares of HK\$0.01 each.
- (e) On 18th February, 2003, 241,004,000 shares of HK\$0.01 each were allotted and issued at par, credited as fully paid to the then shareholders in proportion to their respective shareholding on the register of members of the Company at the date of business on 17th February, 2003 by way of the capitalisation of the share premium of the Company (the "Capitalisation Issue").
- (f) On 10th March, 2003, 65,660,000 shares of HK\$0.01 each were issued to the public at HK\$0.6 each for cash totaling HK\$39,396,000. The excess over the par value of the shares issued was credited to the share premium.

21. 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.

Details of the movements in share options during the year ended 31st March, 2004 are as follows:

Name or category of participant	Date of grant	Outstanding as at 1st April, 2003	Number of share options				Outstanding as at 31st March, 2004	Exercisable period	Exercise price per share
			Granted	Exercised	Cancelled	Lapsed			
(a) Executive directors									
Chan King Hong Edwin	24th Sept, 2003	—	3,181,200 (Note ii)	—	—	—	3,181,200	24th Sept, 2003– 23rd Sept, 2013	0.830
Chan King Yuen Stanley	24th Sept, 2003	—	3,181,200 (Note ii)	—	—	—	3,181,200	24th Sept, 2003– 23rd Sept, 2013	0.830
Chan Wai Po Rebecca	24th Sept, 2003	—	3,181,200 (Note ii)	—	—	—	3,181,200	24th Sept, 2003– 23rd Sept, 2013	0.830
(b) Employees, in aggregate									
	26th May, 2003	—	8,352,000 (Note i)	7,836,000	—	—	516,000	26th May, 2003– 25th May, 2013	0.580
	24th Sept, 2003	—	6,362,400 (Note ii)	—	—	—	6,362,400	24th Sept, 2003– 23rd Sept, 2013	0.830
(c) Others, in aggregate									
	26th May, 2003	—	6,000,000 (Note i)	3,000,000	—	—	3,000,000	26th May, 2003– 25th May, 2013	0.580
Total			30,258,000	10,836,000	—	—	19,422,000		

21. SHARE OPTIONS (Continued)

Notes:

- (i) The closing price of the shares of the Company immediately before 26th May, 2003 at which the share options were granted was HK\$0.580.
- (ii) The closing price of the shares of the Company immediately before 24th September, 2003 at which the shares options were granted was HK\$0.800.
- (iii) The weighted average of the closing prices of the shares immediately before the dates on which the options were exercised was approximately HK\$0.73.
- (iv) All the options were immediately vested upon granted.
- (v) The share options granted under the Share Option Scheme are not recognised in the financial statements until they are exercised.

The Directors consider that it is not appropriate to value the share options on the ground that certain crucial factors for such valuation are variables cannot be reasonably determined at this stage. Any valuation of the share options based on speculative assumptions in respect of such variables would not be meaningful and the results thereof may be misleading to the shareholders.

22. RESERVES

		The Company			
		Share	Share	Retained	Total
	Notes	premium	issuance	earnings	Total
		HK\$'000	costs	HK\$'000	HK\$'000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
At incorporation 12th April, 2002		—	(1,610)	—	(1,610)
Profit for the period from 12th April, 2002 (date of incorporation) to 31st March, 2003		—	—	12,987	12,987
Surplus on Reorganisation	22(a)	48,171	—	—	48,171
Capitalisation Issue	20(e)	(2,410)	—	—	(2,410)
Premium on issue of shares upon placing and public offer	20(f)	38,739	—	—	38,739
Share issuance costs		—	(8,461)	—	(8,461)
Transfers		(10,071)	10,071	—	—
At 31st March, 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
At 31st March, 2004		80,606	—	6,022	86,628
Representing:					
Reserves					74,839
2003 final dividend proposed					12,577
At 31st March, 2003					87,416
Reserves					80,895
2004 final dividend proposed					5,733
At 31st March, 2004					86,628

22. RESERVES (Continued)

- (a) Surplus on Reorganisation represents the difference between the par value of the Company's shares issued in exchange for the aggregate net assets value of the subsidiaries acquired at the time of the Reorganisation. Under the Companies Law, the share premium is available for distribution to shareholders, subject to the provisions of the Articles of Association of the Company and no distribution or dividend may be paid to the shareholders out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in ordinary course of business.

23. 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, 2004 amounted to approximately HK\$1 million (2003: Nil).

24. CAPITAL COMMITMENTS

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	—	113

The Company had no capital commitment at the balance sheet date.

25. 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:

	The Group	
	2004 HK\$'000	2003 HK\$'000
Within one year	3,102	3,462
In the second to fifth years inclusive	20	260
	3,122	3,722

Operating lease payments represent rental payable by the Group for its offices and production plants. 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.

26. RELATED PARTY TRANSACTIONS

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

	The Group	
	2004 HK\$'000	2003 HK\$'000
Rental expenses paid to Mr. Chan Woon Man and Ms. Tsang Sau Lin for office premises	240	220

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 notes 16 and 17.